

(e) The Secretary or lender shall provide comprehensive prepurchase counseling to eligible veterans explaining the features of interest rate buy downs under subsection (a), including a hypothetical payment schedule that displays the increases in monthly payments to the mortgagor over the first five years of the mortgage term. For the purposes of this subsection, the Secretary may assign personnel to military installations referred to in subsection (b)(2).

(f) There is authorized to be appropriated \$3,000,000 annually to carry out this section.

(g) The Secretary may not guarantee a loan under this chapter after September 30, 1998, on which the Secretary is obligated to make payments under this section.

(Added Pub. L. 104-106, div. B, title XXVIII, § 2822(b)(1), Feb. 10, 1996, 110 Stat. 556.)

AUTHORITY OF SECRETARY OF DEFENSE

Pub. L. 104-106, div. B, title XXVIII, § 2822(c), Feb. 10, 1996, 110 Stat. 557, provided that:

“(1) REIMBURSEMENT FOR BUY DOWN COSTS.—The Secretary of Defense shall reimburse the Secretary of Veterans Affairs for amounts paid by the Secretary of Veterans Affairs to mortgagees under section 3708 of title 38, United States Code, as added by subsection (b).

“(2) DESIGNATION OF HOUSING SHORTAGE AREAS.—For purposes of section 3708 of title 38, United States Code, the Secretary of Defense may designate as a housing shortage area a military installation in the United States at which the Secretary determines there is a shortage of suitable housing to meet the military family needs of members of the Armed Forces and the dependents of such members.

“(3) REPORT.—Not later than March 30, 1998, the Secretary shall submit to Congress a report regarding the effectiveness of the authority provided in section 3708 of title 38, United States Code, in ensuring that members of the Armed Forces and their dependents have access to suitable housing. The report shall include the recommendations of the Secretary regarding whether the authority provided in this subsection should be extended beyond the date specified in paragraph (5).

“(4) EARMARK.—Of the amount provided in section 2405(a)(1)(B) [110 Stat. 538], \$10,000,000 for fiscal year 1996 shall be available to carry out this subsection.

“(5) SUNSET.—This subsection shall not apply with respect to housing loans guaranteed after September 30, 1998, for which assistance payments are paid under section 3708 of title 38, United States Code.”

SUBCHAPTER II—LOANS

§ 3710. Purchase or construction of homes

(a) Except as provided in section 3704(c)(2) of this title, any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by the veteran as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by the veteran as the veteran's home.

(3) To construct on land owned by the veteran a farm residence to be occupied by the veteran as the veteran's home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by the veteran and occupied by the veteran as the veteran's home.

(5) To refinance existing mortgage loans or other liens which are secured of record on a

dwelling or farm residence owned and occupied by the veteran as the veteran's home.

(6) To purchase a one-family residential unit in a condominium housing development or project, if such development or project is approved by the Secretary under criteria which the Secretary shall prescribe in regulations.

(7) To improve a dwelling or farm residence owned by the veteran and occupied by the veteran as the veteran's home through energy efficiency improvements, as provided in subsection (d).

(8) To refinance in accordance with subsection (e) of this section an existing loan guaranteed, insured, or made under this chapter.

(9)(A)(i) To purchase a manufactured home to be permanently affixed to a lot that is owned by the veteran.

(ii) To purchase a manufactured home and a lot to which the home will be permanently affixed.

(B)(i) To refinance, in accordance with the terms and conditions applicable under the provisions of subsection (e) of this section (other than paragraph (1)(E) of such subsection) to the guaranty of a loan for the purpose specified in clause (8) of this subsection, an existing loan guaranteed, insured, or made under this chapter that is secured by a manufactured home permanently affixed to a lot that is owned by the veteran.

(ii) To refinance, in accordance with section 3712(a)(5) of this title, an existing loan that was made for the purchase of, and that is secured by, a manufactured home that is permanently affixed to a lot and to purchase the lot to which the manufactured home is affixed.

(10) To purchase a dwelling to be owned and occupied by the veteran as a home and make energy efficiency improvements, as provided in subsection (d).

(11) To refinance in accordance with subsection (e) an existing loan guaranteed, insured, or made under this chapter, and to improve the dwelling securing such loan through energy efficiency improvements, as provided in subsection (d).

(12) With respect to a loan guaranteed after the date of the enactment of this paragraph and before the date that is five years after that date, to purchase stock or membership in a cooperative housing corporation for the purpose of entitling the veteran to occupy for dwelling purposes a single family residential unit in a development, project, or structure owned or leased by such corporation, in accordance with subsection (h).

If there is an indebtedness which is secured by a lien against land owned by the veteran, the proceeds of a loan guaranteed under this section or made under section 3711 of this title for construction of a dwelling or farm residence on such land may be used also to liquidate such lien, but only if the reasonable value of the land is equal to or greater than the amount of the lien.

(b) No loan may be guaranteed under this section or made under section 3711 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses;

(3) the veteran is a satisfactory credit risk, as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section;

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) except in the case of a loan described in clause (7) or (8) of this subsection, the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined pursuant to section 3731 of this title;

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property;

(7) in the case of a loan (other than a loan made for a purpose specified in subsection (a)(8) of this section) that is made to refinance—

(A) a construction loan,

(B) an installment land sales contract, or

(C) a loan assumed by the veteran that provides for a lower interest rate than the loan being refinanced,

the amount of the loan to be guaranteed or made does not exceed the lesser of—

(i) the reasonable value of the dwelling or farm residence securing the loan, as determined pursuant to section 3731 of this title; or

(ii) the sum of the outstanding balance on the loan to be refinanced and the closing costs (including discounts) actually paid by the veteran, as specified by the Secretary in regulations; and

(8) in the case of a loan to refinance a loan (other than a loan or installment sales contract described in clause (7) of this subsection or a loan made for a purpose specified in subsection (a)(8) of this section), the amount of the loan to be guaranteed or made does not exceed 100 percent of the reasonable value of the dwelling or farm residence securing the loan, as determined pursuant to section 3731 of this title.

[(c) Repealed. Pub. L. 100-198, § 3(a)(2), Dec. 21, 1987, 101 Stat. 1315.]

(d)(1) The Secretary shall carry out a program to demonstrate the feasibility of guaranteeing loans for the acquisition of an existing dwelling and the cost of making energy efficiency improvements to the dwelling or for energy efficiency improvements to a dwelling owned and occupied by a veteran. A loan may be guaranteed under this subsection only if it meets the requirements of this chapter, except as those requirements are modified by this subsection.

(2) The cost of energy efficiency measures that may be financed by a loan guaranteed under this section may not exceed the greater of—

(A) the cost of the energy efficiency improvements, up to \$3,000; or

(B) \$6,000, if the increase in the monthly payment for principal and interest does not exceed the likely reduction in monthly utility costs resulting from the energy efficiency improvements.

(3) Notwithstanding the provisions of section 3703(a)(1)(A) of this title, any loan guaranteed under this subsection shall be guaranteed in an amount equal to the sum of—

(A) the guaranty that would be provided under those provisions for the dwelling without the energy efficiency improvements; and

(B) an amount that bears the same relation to the cost of the energy efficiency improvements as the guaranty referred to in subparagraph (A) bears to the amount of the loan minus the cost of such improvements.

(4) The amount of the veteran's entitlement, calculated in accordance with section 3703(a)(1)(B) of this title, shall not be affected by the amount of the guaranty referred to in paragraph (3)(B).

(5) The Secretary shall take appropriate actions to notify eligible veterans, participating lenders, and interested realtors of the availability of loan guarantees under this subsection and the procedures and requirements that apply to the obtaining of such guarantees.

(6) For the purposes of this subsection:

(A) The term "energy efficiency improvement" includes a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system, and the application of a residential energy conservation measure.

(B) The term "solar heating" has the meaning given such term in section 3(1) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5502(1)) and, in addition, includes a passive system based on conductive, convective, or radiant energy transfer.

(C) The terms "solar heating and cooling" and "combined solar heating and cooling" have the meaning given such terms in section 3(2) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5502(2)) and, in addition, include a passive system based on conductive, convective, or radiant energy transfer.

(D) The term "passive system" includes window and skylight glazing, thermal floors, walls, and roofs, movable insulation panels (when in conjunction with glazing), portions of a residential structure that serve as solar furnaces so as to add heat to the structure, double-pane window insulation, and such other energy-related components as are determined by the Secretary to enhance the natural transfer of energy for the purpose of heating or heating and cooling a residence.

(E) The term "residential energy conservation measure" means—

(i) caulking and weatherstripping of all exterior doors and windows;

(ii) furnace efficiency modifications limited to—

(I) replacement burners, boilers, or furnaces designed to reduce the firing rate or to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency,

(II) devices for modifying flue openings which will increase the efficiency of the heating system, and

(III) electrical or mechanical furnace ignition systems which replace standing gas pilot lights;

(iii) clock thermostats;

(iv) ceiling, attic, wall, and floor insulation;

(v) water heater insulation;

(vi) storm windows and doors;

(vii) heat pumps; and

(viii) such other energy conservation measures as the Secretary may identify for the purposes of this subparagraph.

(e)(1) For a loan to be guaranteed for the purpose specified in subsection (a)(8) or for the purpose specified in subsection (a)(11) of this section—

(A) the interest rate of the loan must be less than the interest rate of the loan being refinanced or, in a case in which the loan is a fixed rate loan and the loan being refinanced is an adjustable rate loan, the loan bears interest at a rate that is agreed upon by the veteran and the mortgagee;

(B) the loan must be secured by the same dwelling or farm residence as was the loan being refinanced;

(C) the amount of the loan may not exceed—

(i) an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to section 3703(c)(3)(A) of this title) as may be authorized by the Secretary (under regulations which the Secretary shall prescribe) to be included in the loan; or

(ii) in the case of a loan for the purpose specified in subsection (a)(11), an amount equal to the sum of the amount referred to with respect to the loan under clause (i) and the amount specified under subsection (d)(2);

(D) notwithstanding section 3703(a)(1) of this title, the amount of the guaranty of the loan may not exceed the greater of (i) the original guaranty amount of the loan being refinanced, or (ii) 25 percent of the loan;

(E) the term of the loan may not exceed the original term of the loan being refinanced by more than 10 years; and

(F) the veteran must own the dwelling or farm residence securing the loan and—

(i) must occupy such dwelling or residence as such veteran's home;

(ii) must have previously occupied such dwelling or residence as such veteran's home and must certify, in such form as the Secretary shall require, that the veteran has previously so occupied such dwelling or residence; or

(iii) in any case in which a veteran is in active duty status as a member of the Armed Forces and is unable to occupy such residence or dwelling as a home because of such

status, the spouse of the veteran must occupy, or must have previously occupied, such dwelling or residence as such spouse's home and must certify such occupancy in such form as the Secretary shall require.

(2) A loan to a veteran may be guaranteed by the Secretary under this chapter for the purpose specified in clause (8) of subsection (a) of this section without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such purpose. For purposes of section 3702(b) of this title, such loan shall be deemed to have been obtained with the guaranty entitlement used to obtain the loan being refinanced.

(3) If a veteran is deceased and if such veteran's surviving spouse was a co-obligor under an existing loan guaranteed, insured, or made under this chapter, such surviving spouse shall, only for the purpose specified in subsection (a)(8) of this section, be deemed to be a veteran eligible for benefits under this chapter.

(f)(1) For a loan to be guaranteed for the purpose specified in subclause (A)(ii) or (B)(ii) of subsection (a)(9) of this section, the purchase of (or the refinancing of a loan secured by) the manufactured home and the lot for that home shall be considered as one loan and must comply with such criteria as may be prescribed by the Secretary in regulations.

(2) A loan may not be guaranteed for the purposes of subsection (a)(9) of this section unless the manufactured home purchased, upon being permanently affixed to the lot, is considered to be real property under the laws of the State where the lot is located.

(g)(1) For the purposes of this subsection, the term "veteran", when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.

(2) For the purpose of determining whether a veteran meets the standards referred to in subsection (b)(3) of this section and section 3712(e)(2) of this title, the Secretary shall prescribe regulations which establish—

(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and

(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.

(3) In the regulations prescribed under paragraph (2) of this subsection, the Secretary shall establish standards that include—

(A) debt-to-income ratios to apply in the case of the veteran applying for the loan;

(B) criteria for evaluating the reliability and stability of the income of the veteran applying for the loan; and

(C) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms.

If the procedures described in clause (C) of this paragraph include standards for evaluating residual income, the Secretary shall, in establishing such standards, give appropriate consider-

ation to State statistics (in States as to which the Secretary determines that such statistics are reliable) pertinent to residual income and the cost of living in the State in question rather than in a larger region.

(4)(A) Any lender making a loan under this chapter shall certify, in such form as the Secretary shall prescribe, that the lender has complied with the credit information and loan processing standards established under paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the loan meets the underwriting standards established under paragraph (2)(A) of this subsection.

(B) Any lender who knowingly and willfully makes a false certification under subparagraph (A) of this paragraph shall be liable to the United States Government for a civil penalty equal to two times the amount of the Secretary's loss on the loan involved or to another appropriate amount, not to exceed \$10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Secretary.

(5) Pursuant to regulations prescribed to carry out this paragraph, the Secretary may, in extraordinary situations, waive the application of the credit underwriting standards established under paragraph (2) of this subsection when the Secretary determines, considering the totality of circumstances, that the veteran is a satisfactory credit risk.

(h)(1) A loan may not be guaranteed under subsection (a)(12) unless—

(A) the development, project, or structure of the cooperative housing corporation complies with such criteria as the Secretary prescribes in regulations; and

(B) the dwelling unit that the purchase of stock or membership in the development, project, or structure of the cooperative housing corporation entitles the purchaser to occupy is a single family residential unit.

(2) In this subsection, the term "cooperative housing corporation" has the meaning given such term in section 216(b)(1) of the Internal Revenue Code of 1986.

(3) When applying the term "value of the property" to a loan guaranteed under subsection (a)(12), such term means the appraised value of the stock or membership entitling the purchaser to the permanent occupancy of the dwelling unit in the development, project, or structure of the cooperative housing corporation.

(Pub. L. 85-857, Sept. 2, 1958, 72 Stat. 1207, § 1810; Pub. L. 90-301, § 1(a), 2(a), May 7, 1968, 82 Stat. 113; Pub. L. 91-506, § 3, Oct. 23, 1970, 84 Stat. 1108; Pub. L. 93-569, § 3, Dec. 31, 1974, 88 Stat. 1864; Pub. L. 94-324, § 7(11), June 30, 1976, 90 Stat. 721; Pub. L. 95-476, title I, §§ 104, 105(a), Oct. 18, 1978, 92 Stat. 1498, 1499; Pub. L. 96-385, title IV, §§ 401(a), 402(a), Oct. 7, 1980, 94 Stat. 1532, 1533; Pub. L. 98-223, title II, § 205(a), Mar. 2, 1984, 98 Stat. 42; Pub. L. 99-576, title IV, § 402(a), (b), Oct. 28, 1986, 100 Stat. 3280; Pub. L. 100-198, §§ 3(a)(2), 7(a), (c), 8(a)(2), 11(b), 13, Dec. 21, 1987, 101 Stat. 1315, 1318-1320, 1325; Pub. L. 100-322, title IV, § 415(c)(4), May 20, 1988, 102 Stat. 551; Pub. L. 101-237, title III, §§ 309, 313(b)(1), Dec. 18, 1989, 103 Stat. 2075, 2077; renumbered § 3710 and amended

Pub. L. 102-83, §§ 4(a)(2)(A)(iv), 5(a), (c)(1), Aug. 6, 1991, 105 Stat. 403, 406; Pub. L. 102-547, §§ 6(1), 9(a), (b), Oct. 28, 1992, 106 Stat. 3636, 3641, 3642; Pub. L. 103-446, title IX, §§ 904(a), (b), 905, Nov. 2, 1994, 108 Stat. 4676, 4677; Pub. L. 104-110, title I, § 101(e), Feb. 13, 1996, 110 Stat. 798; Pub. L. 109-461, title V, § 501, Dec. 22, 2006, 120 Stat. 3431; Pub. L. 110-389, title V, § 504(b), Oct. 10, 2008, 122 Stat. 4176.)

REFERENCES IN TEXT

The date of the enactment of this paragraph, referred to in subsec. (a)(12), is the date of enactment of Pub. L. 109-461, which was approved Dec. 22, 2006.

Section 216(b)(1) of the Internal Revenue Code of 1986, referred to in subsec. (h)(2), is classified to section 216(b)(1) of Title 26, Internal Revenue Code.

CODIFICATION

Another section 11(b) of Pub. L. 100-198 amended section 1831 [now 3731] of this title.

AMENDMENTS

2008—Subsec. (b)(8). Pub. L. 110-389 substituted "100 percent" for "90 percent".

2006—Subsec. (a)(12). Pub. L. 109-461, § 501(a), added par. (12).

Subsec. (h). Pub. L. 109-461, § 501(b), added subsec. (h). 1996—Subsec. (d)(7). Pub. L. 104-110 struck out par. (7) which read as follows: "A loan may not be guaranteed under this subsection after December 31, 1995."

1994—Subsec. (a)(11). Pub. L. 103-446, § 904(a), added par. (11).

Subsec. (e)(1). Pub. L. 103-446, § 904(b)(1), inserted "or for the purpose specified in subsection (a)(11)" after "subsection (a)(8)" in introductory provisions.

Subsec. (e)(1)(A). Pub. L. 103-446, § 905, inserted before semicolon at end "or, in a case in which the loan is a fixed rate loan and the loan being refinanced is an adjustable rate loan, the loan bears interest at a rate that is agreed upon by the veteran and the mortgagee".

Subsec. (e)(1)(C). Pub. L. 103-446, § 904(b)(2), substituted "may not exceed—" and cls. (i) and (ii) for "may not exceed an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to section 3703(c)(3)(A) of this title) as may be authorized by the Secretary, under regulations which the Secretary shall prescribe, to be included in such loan;".

1992—Subsec. (a)(7). Pub. L. 102-547, § 9(b)(1), amended par. (7) generally. Prior to amendment, par. (7) read as follows: "To improve a dwelling or farm residence owned by the veteran and occupied by the veteran as the veteran's home through the installation of a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system or through the application of a residential energy conservation measure."

Subsec. (a)(10). Pub. L. 102-547, § 9(b)(2), added par. (10).

Subsec. (d). Pub. L. 102-547, § 9(a), amended subsec. (d) generally. Prior to amendment, subsec. (d) defined terms "solar heating", "solar heating and cooling", "combined solar heating and cooling", "passive system", and "residential energy conservation measure" for purposes of subsec. (a)(7).

Subsec. (e)(1)(D). Pub. L. 102-547, § 6(1), amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows: "the amount of the guaranty of the loan may not exceed the original guaranty amount of the loan being refinanced;".

1991—Pub. L. 102-83, § 5(a), renumbered section 1810 of this title as this section.

Subsec. (a). Pub. L. 102-83, § 5(c)(1), substituted "3704(c)(2)" for "1804(c)(2)" in introductory provisions, "3712(a)(5)" for "1812(a)(5)" in par. (9)(B)(ii), and "3711" for "1811" in concluding provisions.

Subsec. (b). Pub. L. 102-83, § 5(c)(1), substituted "3711" for "1811" in introductory provisions and "3731" for "1831" in pars. (5), (7)(i), and (8).

Subsec. (e)(1)(C). Pub. L. 102-83, §5(c)(1), substituted “3703(c)(3)(A)” for “1803(c)(3)(A)”.

Subsec. (e)(2). Pub. L. 102-83, §5(c)(1), substituted “3702(b)” for “1802(b)”.

Pub. L. 102-83, §4(a)(2)(A)(iv), substituted “Secretary” for “Veterans’ Administration”.

Subsec. (g)(2). Pub. L. 102-83, §5(c)(1), substituted “3712(e)(2)” for “1812(e)(2)”.

1989—Subsec. (a)(6). Pub. L. 101-237, §313(b)(1), substituted “Secretary” for “Administrator” wherever appearing.

Subsec. (b)(5) to (8). Pub. L. 101-237, §309(b), inserted “except in the case of a loan described in clause (7) or (8) of this subsection,” before “the loan to be paid” in cl. (5), struck out “and,” at end of cl. (5), substituted semicolon for period at end of cl. (6), and added cls. (7) and (8).

Subsecs. (d) to (g). Pub. L. 101-237, §313(b)(1), substituted “Secretary” and “Secretary’s” for “Administrator” and “Administrator’s”, respectively, wherever appearing.

Subsec. (h). Pub. L. 101-237, §309(a), struck out subsec. (h) which read as follows: “The amount of a loan guaranteed for the purpose specified in subsection (a)(5) of this section may not exceed the amount equal to 90 percent of the appraised value of the dwelling or farm residence which will secure the loan, as determined by the Administrator.”

1988—Subsec. (a)(9)(B)(ii). Pub. L. 100-322, §415(c)(4)(A), substituted “section 1812(a)(5)” for “section 1819(a)(5)”.

Subsec. (g)(2). Pub. L. 100-322, §415(c)(4)(B), substituted “section 1812(e)(2)” for “section 1819(e)(2)”.

1987—Subsec. (a). Pub. L. 100-198, §8(a)(2), substituted “Except as provided in section 1804(c)(2) of this title, any” for “Any”.

Subsec. (b). Pub. L. 100-198, §11(b), substituted “pursuant to section 1831 of this title” for “by the Administrator” in cl. (5) and struck out last sentence which read as follows: “After the reasonable value of any property, construction, repairs, or alterations is determined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination.”

Subsec. (c). Pub. L. 100-198, §3(a)(2), struck out subsec. (c) which read as follows: “The amount of guaranty entitlement available to a veteran under this section shall not be more than \$27,500 less such entitlement as may have been used previously under this section and other sections of this chapter.”

Subsec. (e)(1)(B). Pub. L. 100-198, §7(a)(1), struck out “and such dwelling or residence must be owned and occupied by the veteran as such veteran’s home” after “refinanced”.

Subsec. (e)(1)(D). Pub. L. 100-198, §7(a)(2), struck out “and” at end.

Subsec. (e)(1)(E). Pub. L. 100-198, §7(a)(3), substituted “by more than 10 years; and” for period at end.

Subsec. (e)(1)(F). Pub. L. 100-198, §7(a)(4), added cl. (F).

Subsec. (g)(3). Pub. L. 100-198, §13, inserted at end “If the procedures described in clause (C) of this paragraph include standards for evaluating residual income, the Administrator shall, in establishing such standards, give appropriate consideration to State statistics (in States as to which the Administrator determines that such statistics are reliable) pertinent to residual income and the cost of living in the State in question rather than in a larger region.”

Subsec. (h). Pub. L. 100-198, §7(c), added subsec. (h).

1986—Subsec. (b)(3). Pub. L. 99-576, §402(a), inserted “, as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section”.

Subsec. (g). Pub. L. 99-576, §402(b), added subsec. (g). 1984—Subsec. (a)(9). Pub. L. 98-223, §205(a)(1), added par. (9).

Subsec. (f). Pub. L. 98-223, §205(a)(2), added subsec. (f). 1980—Subsec. (a)(8). Pub. L. 96-385, §401(a)(1), added par. (8).

Subsec. (c). Pub. L. 96-385, §402(a), substituted “\$27,500” for “\$25,000”.

Subsec. (e). Pub. L. 96-385, §401(a)(2), added subsec. (e).

1978—Subsec. (a)(6). Pub. L. 95-476, §104(1), struck out requirement that the purchased residential unit be in a new condominium development, struck out provision that such unit could be in a structure built and sold as a condominium, and inserted provision that the criteria prescribed by the Administrator be prescribed through regulations.

Subsec. (a)(7). Pub. L. 95-476, §104(2), added par. (7).

Subsec. (c). Pub. L. 95-476, §105(a), substituted “\$25,000” for “\$17,500”.

Subsec. (d). Pub. L. 95-476, §104(3), added subsec. (d).

1976—Subsec. (a). Pub. L. 94-324 substituted “the veteran”, “the veteran’s” and “the Administrator” for “him”, “his” and “he”, respectively, wherever appearing.

1974—Subsec. (a)(5). Pub. L. 93-569, §3(1), struck out “Nothing in this chapter shall preclude a veteran from paying to a lender any discount required by such lender in connection with such refinancing.”

Subsec. (a)(6). Pub. L. 93-569, §3(2), added par. (6).

Subsec. (c). Pub. L. 93-569, §3(3), substituted “\$17,500” for “\$12,500”.

Subsec. (d). Pub. L. 93-569, §3(4), struck out subsec. (d) relating to guaranty of loans for purchase of a one-family residential unit in a condominium housing project or development as to which Secretary of Housing and Urban Development has issued, under section 234 of the National Housing Act, evidence of insurance.

1970—Subsec. (a). Pub. L. 91-506, §3(1), added par. (5) permitting a veteran to use his loan guaranty eligibility to refinance existing mortgage loans or other liens on dwellings on farm residences he occupies and provided that veterans using loan guarantees for such refinancing may pay points demanded by a lender.

Subsec. (d). Pub. L. 91-506, §3(2), added subsec. (d).

1968—Subsec. (b). Pub. L. 90-301, §2(a), substituted “loan to be paid” for “price paid or to be paid” in par. (5) of first sentence and inserted sentence at end relating to notification of veteran concerned of determination of reasonable value of any property, construction, repairs, or alterations.

Subsec. (c). Pub. L. 90-301, §1(a), increased limitation on amount of guaranty entitlement from \$7,500 to \$12,500.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by section 3(a)(2) of Pub. L. 100-198 applicable to loans closed on or after Feb. 1, 1988, but not applicable to any loan for which a guaranty commitment is made on or before Dec. 31, 1987, see section 3(d) of Pub. L. 100-198, set out as a note under section 3703 of this title.

Section 7(d) of Pub. L. 100-198 provided that:

“(1) The amendments made by subsections (a) and (b) of this section [amending this section and section 1819 [now 3712] of this title] shall apply to loans made more than 30 days after the date of the enactment of this Act [Dec. 21, 1987].

“(2) The amendment made by subsection (c) of this section [amending this section] shall apply to loans for which commitments are made more than 60 days after the date of the enactment of this Act.”

Amendment by section 8(a)(2) of Pub. L. 100-198 applicable with respect to loans made more than 30 days after Dec. 21, 1987, see section 8(c) of Pub. L. 100-198, set out as a note under section 3704 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by sections 401(a) and 402(a) of Pub. L. 96-385 effective Oct. 7, 1980, and Oct. 1, 1980, respectively, see section 601(b), (d) of Pub. L. 96-385, set out as a note under section 1114 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by sections 104(2), (3) and 105(a) of Pub. L. 95-476 effective Oct. 1, 1978, and amendment by sec-

tion 104(1) of Pub. L. 95-476 effective July 1, 1979, except with respect to the authority to prescribe regulations for the implementation of such amendment, which is effective Oct. 18, 1978, see section 108(a), (b) of Pub. L. 95-476, set out as a note under section 3702 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-324 effective June 30, 1976, see section 9(a) of Pub. L. 94-324, set out as a note under section 3701 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

Amendment by Pub. L. 93-569 effective Dec. 31, 1974, except that amendment by section 3(2), (4) of Pub. L. 93-569 effective ninety days after Dec. 31, 1974, see section 10 of Pub. L. 93-569, set out as a note under section 3702 of this title.

RATIFICATION OF ACTIONS DURING PERIOD OF EXPIRED AUTHORITY

Any action taken by Secretary of Veterans Affairs before Feb. 13, 1996, under provision of law amended by title I of Pub. L. 104-110 that was taken during period beginning on date on which authority of Secretary under such provision of law expired and ending on Feb. 13, 1996, considered to have same force and effect as if such amendment had been in effect at time of that action, see section 103 of Pub. L. 104-110, set out as a note under section 1710 of this title.

REPORTS ON ENERGY EFFICIENT MORTGAGES GUARANTEED UNDER THIS SECTION

Pub. L. 102-547, §9(c), Oct. 28, 1992, 106 Stat. 3642, directed Secretary of Veterans Affairs to transmit report on energy efficient mortgages to Committees on Veterans' Affairs of Senate and House of Representatives not later than 1 year after date on which Secretary first exercises authority to guarantee loans under section 3710(d) of this title and for each of the 3 years thereafter, prior to repeal by Pub. L. 104-110, title II, §201(b), Feb. 13, 1996, 110 Stat. 770.

§ 3711. Direct loans to veterans

(a) The Congress finds that housing credit for purposes specified in section 3710 or 3712 of this title is not and has not been generally available to veterans living in rural areas, or in small cities and towns not near large metropolitan areas. It is therefore the purpose of this section to provide housing credit for veterans living in such rural areas and such small cities and towns.

(b) Whenever the Secretary finds that private capital is not generally available in any rural area or small city or town for the financing of loans guaranteed for purposes specified in section 3710 or 3712 of this title, the Secretary shall designate such rural area or small city or town as a "housing credit shortage area". The Secretary shall, with respect to any such area, make, or enter into commitments to make, to any veteran eligible under this title, a loan for any or all of the purposes described in section 3710(a) or 3712 of this title (other than the refinancing of a loan under section 3710(a)(8) or 3712(a)(1)(F)).

(c) No loan may be made under this section to a veteran unless the veteran shows to the satisfaction of the Secretary that—

(1) the veteran is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans or manufactured home loans, as appropriate, a loan for such purpose for which the veteran is

qualified under section 3710 or 3712 of this title, as appropriate; and

(2) the veteran is unable to obtain a loan for such purpose from the Secretary of Agriculture under title III of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.).

(d)(1) Loans made under this section shall bear interest at a rate determined by the Secretary, not to exceed the rate authorized for guaranteed home loans, or manufactured home loans, as appropriate, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2)(A) Except for any loan made under this chapter for the purposes described in section 3712 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to \$33,000 as the amount of guaranty to which the veteran is entitled under section 3710 of this title at the time the loan is made bears to \$36,000; and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to \$36,000 as the amount of the loan bears to \$33,000.

(B) The original principal amount of any loan made under this section for the purposes described in section 3712 of this title shall not exceed the amount that bears the same ratio to \$33,000 as the amount of guaranty to which the veteran is entitled under such section at the time the loan is made bears to \$20,000. The amount of the guaranty entitlement for purposes specified in section 3710 of this title of any veteran who is granted a loan under this section, or who before October 18, 1978, was granted a loan under this section, shall be charged with the amount that bears the same ratio to \$20,000 as the amount of the loan bears to \$33,000.

(3) No veteran may obtain loans under this section aggregating more than \$33,000.

(e) Loans made under this section shall be repaid in monthly installments, except that in the case of any such loan made for any of the purposes described in paragraphs (2), (3), or (4) of section 3710(a) of this title, the Secretary may provide that such loan shall be repaid in quarterly, semiannual, or annual installments.

(f) In connection with any loan under this section, the Secretary may make advances in cash to pay taxes and assessments on the real estate, to provide for repairs, alterations, and improvements, and to meet the incidental expenses of the transaction. The Secretary shall determine the expenses incident to origination of loans made under this section, which expenses, or a reasonable flat allowance in lieu thereof, shall be paid by the veteran in addition to the loan closing costs.

(g) The Secretary may sell, and shall offer for sale, to any person or entity approved for such purpose by the Secretary, any loan made under this section at a price which the Secretary determines to be reasonable under the conditions prevailing in the mortgage market when the agreement to sell the loan is made; and shall guarantee any loan thus sold subject to the same conditions, terms, and limitations which

would be applicable were the loan guaranteed for purposes specified in section 3710 or 3712 of this title, as appropriate.

(h) The Secretary may exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements prescribed pursuant to subsection (a) of section 3704 of this title, and with respect to such dwellings may prescribe special minimum land planning and subdivision requirements which shall be in keeping with the general housing facilities in the locality but shall require that such dwellings meet minimum requirements of structural soundness and general acceptability.

(i) The Secretary is authorized, without regard to the provisions of subsections (a), (b), and (c) of this section, to make or enter into a commitment to make a loan to any veteran to assist the veteran in acquiring a specially adapted housing unit authorized under chapter 21 of this title, if the veteran is determined to be eligible for the benefits of such chapter 21, and is eligible for loan guaranty benefits under this chapter.

(j)(1) If any builder or sponsor proposes to construct one or more dwellings in a housing credit shortage area, or in any area for a veteran who is determined to be eligible for assistance in acquiring a specially adapted housing unit under chapter 21 of this title, the Secretary may enter into commitment with such builder or sponsor, under which funds available for loans under this section will be reserved for a period not in excess of three months, or such longer period as the Secretary may authorize to meet the needs in any particular case, for the purpose of making loans to veterans to purchase such dwellings. Such commitment may not be assigned or transferred except with the written approval of the Secretary. The Secretary shall not enter into any such commitment unless such builder or sponsor pays a nonrefundable commitment fee to the Secretary in an amount determined by the Secretary, not to exceed 2 percent of the funds reserved for such builder or sponsor.

(2) Whenever the Secretary finds that a dwelling with respect to which funds are being reserved under this subsection has been sold, or contracted to be sold, to a veteran eligible for a direct loan under this section, the Secretary shall enter into a commitment to make the veteran a loan for the purchase of such dwelling. With respect to any loan made to an eligible veteran under this subsection, the Secretary may make advances during the construction of the dwelling, up to a maximum in advances of (A) the cost of the land plus (B) 80 percent of the value of the construction in place.

(k) Without regard to any other provision of this chapter, the Secretary may take or cause to be taken such action as in the Secretary's judgment may be necessary or appropriate for or in connection with the custody, management, protection, and realization or sale of investments under this section, may determine the Secretary's necessary expenses and expenditures, and the manner in which the same shall be incurred, allowed and paid, may make such rules, regulations, and orders as the Secretary may deem necessary or appropriate for carrying out

the Secretary's functions under this section and, except as otherwise expressly provided in this chapter, may employ, utilize, compensate, and, to the extent not inconsistent with the Secretary's basic responsibilities under this chapter, delegate any of the Secretary's functions under this section to such persons and such corporate or other agencies, including agencies of the United States, as the Secretary may designate.

(Pub. L. 85-857, Sept. 2, 1958, 72 Stat. 1208, §1811; Pub. L. 86-665, §2, July 14, 1960, 74 Stat. 531; Pub. L. 87-84, §2, July 6, 1961, 75 Stat. 201; Pub. L. 88-402, Aug. 4, 1964, 78 Stat. 380; Pub. L. 89-358, §5(e), Mar. 3, 1966, 80 Stat. 26; Pub. L. 90-77, title IV, §404, Aug. 31, 1967, 81 Stat. 190; Pub. L. 90-301, §1(b), May 7, 1968, 82 Stat. 113; Pub. L. 91-22, §3, June 6, 1969, 83 Stat. 32; Pub. L. 91-506, §4, Oct. 23, 1970, 84 Stat. 1109; Pub. L. 92-66, Aug. 5, 1971, 85 Stat. 173; Pub. L. 93-569, §4, Dec. 31, 1974, 88 Stat. 1864; Pub. L. 94-324, §§3, 7(12)-(15), June 30, 1976, 90 Stat. 720, 721; Pub. L. 95-476, title I, §105(b), Oct. 18, 1978, 92 Stat. 1499; Pub. L. 96-385, title IV, §§401(c)(2), 402(b), Oct. 7, 1980, 94 Stat. 1533; Pub. L. 97-295, §4(65), Oct. 12, 1982, 96 Stat. 1309; Pub. L. 97-306, title IV, §406(c)(1), Oct. 14, 1982, 96 Stat. 1445; Pub. L. 100-198, §3(c), Dec. 21, 1987, 101 Stat. 1316; Pub. L. 100-322, title IV, §415(c)(5), (d)(2) May 20, 1988, 102 Stat. 551, 552; Pub. L. 101-237, title III, §313(b)(1), Dec. 18, 1989, 103 Stat. 2077; renumbered §3711 and amended Pub. L. 102-83, §5(a), (c)(1), Aug. 6, 1991, 105 Stat. 406; Pub. L. 105-368, title VI, §602(e)(1)(B), Nov. 11, 1998, 112 Stat. 3346.)

REFERENCES IN TEXT

Title III of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), referred to in subsec. (c)(2), probably means title III of Pub. L. 87-128, Aug. 8, 1961, 75 Stat. 307, as amended, known as the Consolidated Farm and Rural Development Act, which is classified principally to chapter 50 (§1921 et seq.) of Title 7, Agriculture. For complete classification of this Act to the Code, see Short Title note set out under section 1921 of Title 7 and Tables.

The Housing Act of 1949, referred to in subsec. (c)(2), is act July 15, 1949, ch. 338, 63 Stat. 413, as amended. Title V of the Housing Act of 1949 is classified generally to subchapter III (§1471 et seq.) of chapter 8A of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 1441 of Title 42 and Tables.

AMENDMENTS

1998—Subsec. (k). Pub. L. 105-368 struck out “and section 3723 of this title” after “functions under this section” in two places.

1991—Pub. L. 102-83, §5(a), renumbered section 1811 of this title as this section.

Subsec. (a). Pub. L. 102-83, §5(c)(1), substituted “3710 or 3712” for “1810 or 1812”.

Subsec. (b). Pub. L. 102-83, §5(c)(1), substituted “3710 or 3712” for “1810 or 1812”, “3710(a) or 3712” for “1810(a) or 1812”, and “3710(a)(8) or 3712(a)(1)(F)” for “1810(a)(8) or 1812(a)(1)(F)”.

Subsec. (c)(1). Pub. L. 102-83, §5(c)(1), substituted “3710 or 3712” for “1810 or 1812”.

Subsec. (d)(2). Pub. L. 102-83, §5(c)(1), substituted “3712” for “1812” and “3710” for “1810” in subpars. (A) and (B).

Subsec. (e). Pub. L. 102-83, §5(c)(1), substituted “3710(a)” for “1810(a)”.

Subsec. (g). Pub. L. 102-83, §5(c)(1), substituted “3710 or 3712” for “1810 or 1812”.

Subsec. (h). Pub. L. 102-83, §5(c)(1), substituted “3704” for “1804”.

Subsec. (k). Pub. L. 102-83, §5(c)(1), substituted "3723" for "1823" in two places.

1989—Subsecs. (b) to (d)(1), (e) to (k). Pub. L. 101-237 substituted "Secretary" and "Secretary's" for "Administrator" and "Administrator's", respectively, wherever appearing.

1988—Subsec. (a). Pub. L. 100-322, §415(c)(5)(A), (d)(2)(A), substituted "for purposes specified in section 1810 or 1812" for "under section 1810 or 1819".

Subsec. (b). Pub. L. 100-322, §415(c)(5), (d)(2)(A), substituted "for purposes specified in section 1810 or 1812" for "under section 1810 or 1819", "section 1810(a) or 1812" for "section 1810(a) or 1819", and "section 1812(a)(1)(F)" for "section 1819(a)(1)(F)".

Subsecs. (c)(1), (d)(2)(A). Pub. L. 100-322, §415(c)(5)(A), substituted "1812" for "1819".

Subsec. (d)(2)(B). Pub. L. 100-322, §415(c)(5)(A), (d)(2)(B), substituted "1812" for "1819" and "for purposes specified in section 1810" for "under section 1810(c)".

Subsec. (g). Pub. L. 100-322, §415(c)(5)(A), (d)(2)(A), substituted "for purposes specified in section 1810 or 1812" for "under section 1810 or 1819".

1987—Subsec. (d)(2)(A). Pub. L. 100-198 substituted "\$36,000" for "\$27,500" in two places.

1982—Subsec. (c)(1). Pub. L. 97-306, §406(c)(1), substituted "manufactured home" for "mobile home".

Subsec. (c)(2). Pub. L. 97-295, §4(65)(A), substituted "title III of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.)" for "sections 1000-1029 of title 7 or under sections 1471-1483 of title 42".

Subsec. (d)(1). Pub. L. 97-306, §406(c)(1), substituted "manufactured home" for "mobile home".

Subsec. (d)(2)(B). Pub. L. 97-295, §4(65)(B), substituted "October 18, 1978," for "the date of the enactment of the Veterans' Housing Benefits Act of 1978".

Subsec. (j). Pub. L. 97-295, §4(65)(C), substituted "percent" for "per centum" wherever appearing.

1980—Subsec. (b). Pub. L. 96-385, §401(c)(2), inserted "(other than the refinancing of a loan under section 1810(a)(8) or 1819(a)(1)(F))" after "section 1810(a) or 1819 of this title".

Subsec. (d)(2). Pub. L. 96-385, §402(b), substituted in two places "\$27,500" for "\$25,000" in subpar. (A) and "\$20,000" for "\$17,500" in two places in subpar. (B).

1978—Subsec. (d)(2)(A). Pub. L. 95-476, §105(b)(1), substituted "\$25,000" for "\$17,500" in two places.

Subsec. (d)(2)(B). Pub. L. 95-476, §105(b)(2), substituted formula for determining maximum amount of original principal of any loan made under this section for purposes of section 1819 of this title for provision that such original amount was not to exceed amount specified by Administrator pursuant to section 1819(d) of this title and inserted provision relating to amount of guaranty entitlement under section 1810(c) of this title.

1976—Subsec. (b). Pub. L. 94-324, §7(12), substituted "the Administrator shall" for "he shall" and "The Administrator" for "He".

Subsec. (c). Pub. L. 94-324, §7(13), substituted "the veteran" for "he" wherever appearing.

Subsec. (d)(2)(A). Pub. L. 94-324, §3(1), substituted "\$33,000" for "\$21,000" wherever appearing and struck out provision authorizing Administrator to increase limitations specified upon finding that cost levels so required.

Subsec. (d)(3). Pub. L. 94-324, §3(2), increased aggregate amount of loans that a veteran is eligible to receive under this section from \$21,000 to \$33,000 and struck out provision authorizing Administrator to increase specific limitations upon such loans.

Subsec. (g). Pub. L. 94-324, §7(14), substituted "the Administrator" for "him" and "he" wherever appearing.

Subsec. (k). Pub. L. 94-324, §7(15), substituted "the Administrator's" for "his" wherever appearing and "as the Administrator" for "as he" wherever appearing.

1974—Subsec. (d)(2)(A). Pub. L. 93-569 substituted "\$17,500" for "\$12,500" wherever appearing.

1971—Subsec. (g). Pub. L. 92-66 substituted provisions authorizing Administrator to sell loans at a price which he determines to be reasonable under prevailing conditions in the mortgage market when agreement to sell loan is made, for provisions authorizing Administrator to sell loans at a price which he determines to be reasonable but not less than 98 per centum of unpaid principal balance, plus full amount of accrued interest, and if loans are offered to an investor in a package or block of two or more loans at not less than 98 per centum of aggregate unpaid principal balance of loans included in such package or block, plus full amount of accrued interest.

1970—Subsec. (a). Pub. L. 91-506, §4(1), substituted "1810 or 1819" for "1810".

Subsec. (b). Pub. L. 91-506, §4(1), (2), substituted "1810 or 1819" for "1810" and provided that the Administrator make, or enter into commitments to make, to any eligible veteran, a loan for any of the purposes described in section 1819 dealing with loans to purchase mobile homes and lots as well as section 1810(a) dealing with the purchase or construction of homes.

Subsecs. (c)(1), (d)(1). Pub. L. 91-506, §4(3), (4), inserted reference to mobile home loans.

Subsec. (d)(2)(A). Pub. L. 91-506, §4(5), redesignated subsec. (d)(2) as subsec. (d)(2)(A) and substituted "Except for any loan made under this chapter for the purposes described in section 1819 of this title, the" for "The".

Subsec. (d)(2)(B). Pub. L. 91-506, §4(6), inserted provision limiting the original principal amount of any loan made under this section for the purchase of mobile homes and mobile home lots under section 1819 of this title to the amount specified by the Administrator pursuant to subsec. (d) of section 1819.

Subsec. (g). Pub. L. 91-506, §4(7), substituted "1810 or 1819 of this title, as appropriate" for "1810 of this title".

Subsec. (h). Pub. L. 91-506, §4(8), substituted provisions permitting Administrator to exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements of this title so long as such dwellings meet minimum requirements of structural soundness and general acceptability for provisions establishing a direct loan expiration date by reference to those for guaranteed loans.

Subsec. (i). Pub. L. 91-506, §4(8), substituted provisions authorizing Administrator to make or enter into a commitment to make, loans to assist disabled veterans in acquiring specially adapted housing if they are eligible for provisions authorizing Administrator to reserve funds available for loans to enable veterans to purchase dwellings in a housing credit shortage area provided the builder pays a nonrefundable commitment fee, not to exceed 2 percent of the funds reserved, authorizing the Administrator to make advances during construction of the dwelling, authorizing the Administrator to permit a private lender to purchase such loan, and permitting the Administrator to exempt dwellings constructed through assistance provided by this subsec. from the minimum land planning and subdivision requirements of this title so long as such dwellings meet minimum requirements of structural soundness and general acceptability.

Subsec. (j). Pub. L. 91-506, §4(8), substituted provisions authorizing Administrator to reserve funds available for loans to enable veterans to purchase housing in a housing credit shortage area, or in any area for a disabled veteran eligible for specially adapted housing, provided the builder pays a nonrefundable commitment fee, not to exceed 2 percent of the funds reserved and authorizing the Administrator to make advances during construction of the dwelling for provisions authorizing the Administrator to process loan applications notwithstanding the assistance of the Voluntary Home Mortgage Credit Committee in trying to place such loans with private lenders, authorizing the Administrator to complete the processing of such loan applications unless he is notified by such Committee that it was able to place any such loan with a private lender, and defining "working days".

1969—Subsec. (d)(2), (3). Pub. L. 91-22 substituted “\$21,000” for “\$17,500” wherever appearing.

1968—Subsec. (d)(2). Pub. L. 90-301 substituted “\$12,500” for “\$7,500” in two places.

1967—Subsec. (d)(2). Pub. L. 90-77, § 404(a), authorized an increase in amount of direct loan limits from \$17,500 to \$25,000 where Administrator finds cost levels so require.

Subsec. (d)(3). Pub. L. 90-77, § 404(b), authorized an increase in aggregate amount of direct loans to \$25,000 where Administrator finds cost levels so require.

1966—Subsec. (d)(2), (3). Pub. L. 89-358 substituted “\$17,500” for “\$15,000” wherever appearing.

1964—Subsec. (g). Pub. L. 88-402 substituted provisions authorizing Administrator to sell loans at a price which he determines to be reasonable but not less than 98 per centum of unpaid principal balance, plus full amount of accrued interest, and if loans are offered to an investor in a package or block of two or more loans at not less than 98 per centum of aggregate unpaid principal balance of loans included in such package or block, plus full amount of accrued interest, for provisions which permitted Administrator to sell loans only at a price not less than par.

1961—Subsec. (d)(2), (3). Pub. L. 87-84, § 2(a), substituted “\$15,000” for “\$13,500” wherever appearing.

Subsec. (h). Pub. L. 87-84, § 2(b), substituted “to any veteran after the expiration of his entitlement pursuant to section 1803(a)(3) of this title except pursuant to a commitment issued by the Administrator before such entitlement expires” for “after July 25, 1962, except pursuant to commitments issued by the Administrator before that date.”

1960—Subsec. (h). Pub. L. 86-665 substituted “1962” for “1960”.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-368 effective Oct. 1, 1998, see section 602(f) of Pub. L. 105-368, set out as a note under section 2106 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by section 3(c) of Pub. L. 100-198 applicable to loans closed on or after Feb. 1, 1988, but not applicable to any loan for which a guaranty commitment is made on or before Dec. 31, 1987, see section 3(d) of Pub. L. 100-198, set out as a note under section 3703 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by sections 401(c)(2) and 402(b) of Pub. L. 96-385 effective Oct. 7, 1980, and Oct. 1, 1980, respectively, see section 601(b), (d) of Pub. L. 96-385, set out as a note under section 1114 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-476 effective Oct. 1, 1978, see section 108(a) of Pub. L. 95-476, set out as a note under section 3702 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by sections 3 and 7(12)-(15) of Pub. L. 94-324 effective Oct. 1, 1976, and June 30, 1976, respectively, see section 9(a), (b) of Pub. L. 94-324, set out as a note under section 3701 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

Amendment by Pub. L. 93-569 effective Dec. 31, 1974, see section 10 of Pub. L. 93-569, set out as a note under section 3702 of this title.

EFFECTIVE DATE OF 1967 AMENDMENT

Amendment by Pub. L. 90-77 effective first day of first calendar month which begins more than ten days after Aug. 31, 1967, see section 405 of Pub. L. 90-77, set out as a note under section 101 of this title.

§ 3712. Loans to purchase manufactured homes and lots

(a)(1) Notwithstanding any other provision of this chapter, any loan to a veteran eligible for

the housing loan benefits of this chapter, if made pursuant to the provisions of this section, may be guaranteed if such loan is for one of the following purposes:

(A) To purchase a lot on which to place a manufactured home already owned by the veteran.

(B) To purchase a single-wide manufactured home.

(C) To purchase a single-wide manufactured home and a lot on which to place such home.

(D) To purchase a double-wide manufactured home.

(E) To purchase a double-wide manufactured home and a lot on which to place such home.

(F) To refinance in accordance with paragraph (4) of this subsection an existing loan guaranteed, insured, or made under this section.

(G) To refinance in accordance with paragraph (5) of this subsection an existing loan that was made for the purchase of, and that is secured by, a manufactured home and to purchase a lot on which such manufactured home is or will be placed.

(2) A loan for any of the purposes described in paragraph (1) of this subsection (other than the refinancing under clause (F) of such paragraph of an existing loan) may include an amount determined by the Secretary to be appropriate to cover the cost of necessary preparation of a lot already owned or to be acquired by the veteran, including the costs of installing utility connections and sanitary facilities, of paving, and of constructing a suitable pad for the manufactured home.

(3) Any loan made for the purposes described in clause (C), (E), or (G) of paragraph (1) of this subsection shall be considered as part of one loan. The transaction may be evidenced by a single loan instrument or by separate loan instruments for (A) that portion of the loan which finances the purchase of the manufactured home, and (B) that portion of the loan which finances the purchase of the lot and the necessary preparation of such lot.

(4)(A) For a loan to be guaranteed for the purpose specified in clause (F) of paragraph (1) of this subsection—

(i) the interest rate of the loan must be less than the interest rate of the loan being refinanced;

(ii) the loan must be secured by the same manufactured home or manufactured-home lot, or manufactured home and manufactured-home lot, as was the loan being refinanced;

(iii) the amount of the loan may not exceed an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to section 3703(c)(3)(A) of this title) as may be authorized by the Secretary, under regulations which the Secretary shall prescribe, to be included in such loan;

(iv) notwithstanding section 3703(a)(1) of this title, the amount of the guaranty of the loan may not exceed the greater of (I) the original guaranty amount of the loan being refinanced, or (II) 25 percent of the loan;

(v) the term of the loan may not exceed the original term of the loan being refinanced;

(vi) the veteran must own the manufactured home, or the manufactured-home lot, or the manufactured home and the manufactured-home lot, securing the loan and—

(I) must occupy the home, a manufactured home on the lot, or the home and the lot, securing the loan;

(II) must have previously occupied the home, a manufactured home on the lot, or the home and the lot, securing the loan as the veteran's home and must certify, in such form as the Secretary shall require, that the veteran has previously so occupied the home (or such a home on the lot); or

(III) in any case in which a veteran is in active duty status as a member of the Armed Forces and is unable to occupy the home, a manufactured home on the lot, or the home and the lot, as a home because of such status, the spouse of the veteran must occupy, or must have previously occupied, the manufactured home on the lot, or the home and the lot, as such spouse's home and must certify such occupancy in such form as the Secretary shall require.

(B) A loan to a veteran may be guaranteed by the Secretary under this chapter for the purpose specified in clause (F) of paragraph (1) of this subsection without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such purpose. For purposes of section 3702(b) of this title, such loan shall be deemed to have been obtained with the guaranty entitlement used to obtain the loan being refinanced.

(C) If a veteran is deceased and if such veteran's surviving spouse was a co-obligor under an existing loan previously guaranteed, insured, or made for purposes specified in this section, such surviving spouse shall, only for the purpose specified in clause (F) of paragraph (1) of this subsection, be deemed to be a veteran eligible for benefits under this chapter.

(5)(A) For a loan to be guaranteed for the purpose specified in paragraph (1)(G) of this subsection or section 3710(a)(9)(B)(ii) of this title—

(i) the loan must be secured by the same manufactured home as was the loan being refinanced and such manufactured home must be owned and occupied by the veteran (except as provided in section 3704(c)(2) of this title) as such veteran's home; and

(ii) the amount of the loan may not exceed an amount equal to the sum of—

(I) the purchase price of the lot,

(II) the amount (if any) determined by the Secretary to be appropriate under paragraph (2) of this subsection to cover the cost of necessary preparation of such lot,

(III) the balance of the loan being refinanced, and

(IV) such closing costs (including any discount permitted pursuant to section 3703(c)(3)(E) of this title) as may be authorized by the Secretary, under regulations which the Secretary shall prescribe, to be included in such loan.

(B) When a loan is made to a veteran for the purpose specified in paragraph (1)(G) of this sub-

section or section 3710(a)(9)(B)(ii) of this title, and the loan being refinanced was guaranteed, insured, or made under this section, the portion of the loan made for the purpose of refinancing such loan may be guaranteed by the Secretary under this chapter without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such portion of such loan. For the purposes of section 3702(b) of this title, such portion of such loan shall be deemed to have been obtained with the guaranty entitlement used to obtain the loan being refinanced.

(b)(1) Use of entitlement for purposes specified in this section for the purchase of a manufactured home unit shall preclude the use of remaining entitlement for the purchase of an additional manufactured home unit until the unit which secured the loan has been disposed of by the veteran or has been destroyed by fire or other natural hazard.

(2) The Secretary shall restore entitlement to all housing loan benefits under this chapter for the veteran when the conditions prescribed in section 3702(b) of this title have been met.

(c)(1) Loans for any of the purposes authorized by subsection (a) of this section shall be submitted to the Secretary for approval prior to the closing of the loan, except that the Secretary may exempt any lender of a class listed in section 3702(d) of this title from compliance with such prior approval requirement if the Secretary determines that the experience of such lender or class of lenders in manufactured home financing warrants such exemption.

(2) Upon determining that a loan submitted for prior approval is eligible for guaranty for purposes specified in this section, the Secretary shall issue a commitment to guarantee such loan and shall thereafter guarantee the loan when made if such loan qualifies therefor in all respects.

(3)(A) The Secretary's guaranty may not exceed the lesser of (i) the lesser of \$20,000 or 40 percent of the loan, or (ii) the maximum amount of the guaranty entitlement available to the veteran as specified in paragraph (4) of this subsection.

(B) A claim under the Secretary's guaranty shall, at the election of the holder of a loan, be made by the filing of an accounting with the Secretary—

(i) within a reasonable time after the receipt by such holder of an appraisal by the Secretary of the value of the security for the loan; or

(ii) after liquidation of the security for the loan.

(C) If the holder of a loan applies for payment of a claim under clause (i) of subparagraph (B) of this paragraph, the amount of such claim payable by the Secretary shall be the lesser of—

(i) the amount equal to the excess, if any, of the total indebtedness over the amount of the appraisal referred to in such clause; or

(ii) the amount equal to the guaranty under this section.

(D) If the holder of a loan files for payment of a claim under clause (ii) of subparagraph (B) of

this paragraph, the amount of such claim payable by the Secretary shall be the lesser of—

- (i) the amount equal to the excess, if any, of the total indebtedness over the greater of the value of the property securing the loan, as determined by the Secretary, or the amount of the liquidation or resale proceeds; or
- (ii) the amount equal to the guaranty under this section.

(E) In any accounting filed pursuant to subparagraph (B)(ii) of this paragraph, the Secretary shall permit to be included therein accrued unpaid interest from the date of the first uncured default to such cutoff date as the Secretary may establish, and the Secretary shall allow the holder of the loan to charge against the liquidation or resale proceeds accrued interest from the cutoff date established to such further date as the Secretary may determine and such costs and expenses as the Secretary determines to be reasonable and proper.

(F) The liability of the United States under the guaranty provided for by this paragraph shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(4) The maximum amount of guaranty entitlement available to a veteran for purposes specified in this section shall be \$20,000 reduced by the amount of any such entitlement previously used by the veteran. Use of entitlement for purposes specified in section 3710 or 3711 of this title shall reduce entitlement available for use for purposes specified in this section to the same extent that entitlement available for purposes specified in such section 3710 is reduced below \$20,000.

(5) The amount of any loan guaranteed for purposes specified in this section shall not exceed an amount equal to 95 percent of the purchase price of the property securing the loan.

(d)(1) The maturity of any loan guaranteed for purposes specified in this section shall not be more than—

- (A) fifteen years and thirty-two days, in the case of a loan for the purchase of a lot;
- (B) twenty years and thirty-two days, in the case of a loan for the purchase of—
 - (i) a single-wide manufactured home; or
 - (ii) a single-wide manufactured home and a lot;

(C) twenty-three years and thirty-two days, in the case of a loan for the purchase of a double-wide manufactured home; or

(D) twenty-five years and thirty-two days, in the case of a loan for the purchase of a double-wide manufactured home and a lot.

(2) Nothing in paragraph (1) of this subsection shall preclude the Secretary, under regulations which the Secretary shall prescribe, from consenting to necessary advances for the protection of the security or the holder's lien, to a reasonable extension of the term of such loan, or to a reasonable reamortization of such loan.

(e) No loan shall be guaranteed for purposes specified in this section unless—

- (1) the loan is repayable in approximately equal monthly installments;
- (2) the terms of repayment bear a proper relationship to the veteran's present and anticipated income and expenses, and the veteran is a satisfactory credit risk, as determined in accordance with the regulations prescribed under section 3710(g) of this title and taking into account the purpose of this program to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged or released from active military, naval, or air service, who may not have previously established credit ratings;

(3) the loan is secured by a first lien on the manufactured home purchased with the proceeds of the loan and on any lot acquired or improved with the proceeds of the loan;

(4) the amount of the loan to be paid by the veteran is not in excess of the amount determined to be reasonable, based upon—

(A) with respect to any portion of the loan to purchase a new manufactured home, such cost factors as the Secretary considers proper to take into account;

(B) with respect to any portion of the loan to purchase a used manufactured home, the reasonable value of the property, as determined by the Secretary;

(C) with respect to any portion of the loan to purchase a lot, the reasonable value of such lot, as determined by the Secretary; and

(D) with respect to any portion of the loan to cover the cost of necessary site preparation, an appropriate amount, as determined by the Secretary;

(5) the veteran certifies, in such form as the Secretary shall prescribe, that the veteran will personally occupy the property as the veteran's home; except that the requirement of this clause shall not apply (A) in the case of a guaranteed loan that is for the purpose described in paragraph (1)(F) of subsection (a), or (B) in the case described in section 3704(c)(2);

(6) the manufactured home is or will be placed on a site which meets specifications which the Secretary shall establish by regulation; and

(7) the interest rate to be charged on the loan does not exceed the permissible rate established by the Secretary.

(f) The Secretary shall establish such rate of interest for manufactured home loans and manufactured home lot loans as the Secretary determines to be necessary in order to assure a reasonable supply of manufactured home loan financing for veterans for purposes specified in this section.

(g) The Secretary shall promulgate such regulations as the Secretary determines to be necessary or appropriate in order to fully implement the provisions of this section, and such regulations may specify which provisions in other sections of this chapter the Secretary determines should be applicable to loans guaranteed or made for purposes specified in this section. The Secretary shall have such powers and responsibilities in respect to matters arising under this section as the Secretary has in respect to loans made or guaranteed or under other sections of this chapter.

(h)(1) No loan for the purchase of a manufactured home shall be guaranteed for purposes

specified in this section unless the manufactured home and lot, if any, meet or exceed standards for planning, construction, and general acceptability as prescribed by the Secretary and no loan for the purchase of a lot on which to place a manufactured home owned by a veteran shall be guaranteed for purposes specified in this section unless the lot meets such standards prescribed for manufactured home lots. Such standards shall be designed to encourage the maintenance and development of sites for manufactured homes which will be attractive residential areas and which will be free from, and not substantially contribute to, adverse scenic or environmental conditions.

(2) Any manufactured housing unit properly displaying a certification of conformity to all applicable Federal manufactured home construction and safety standards pursuant to section 616 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5415) shall be deemed to meet the standards required by paragraph (1).

(i) The Secretary shall require the manufacturer to become a warrantor of any new manufactured home which is approved for purchase with financing through the assistance of this chapter and to furnish to the purchaser a written warranty in such form as the Secretary shall require. Such warranty shall include (1) a specific statement that the manufactured home meets the standards prescribed by the Secretary pursuant to the provisions of subsection (h) of this section; and (2) a provision that the warrantor's liability to the purchaser or owner is limited under the warranty to instances of substantial nonconformity to such standards which become evident within one year from date of purchase and as to which the purchaser or owner gives written notice to the warrantor not later than ten days after the end of the warranty period. The warranty prescribed herein shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument and shall so provide in the warranty document.

(j) Subject to notice and opportunity for a hearing, the Secretary is authorized to deny guaranteed or direct loan financing in the case of—

(1) manufactured homes constructed by a manufacturer who fails or is unable to discharge the manufacturer's obligations under the warranty;

(2) manufactured homes which are determined by the Secretary not to conform to the standards provided for in subsection (h); or

(3) a manufacturer of manufactured homes who has engaged in procedures or practices determined by the Secretary to be unfair or prejudicial to veterans or the Government.

(k) Subject to notice and opportunity for a hearing, the Secretary may refuse to approve as acceptable any site in a manufactured home park or subdivision owned or operated by any person whose rental or sale methods, procedures, requirements, or practices are determined by the Secretary to be unfair or prejudicial to veterans renting or purchasing such sites. The Secretary may also refuse to guarantee or make

direct loans for veterans to purchase manufactured homes offered for sale by any dealer if substantial deficiencies have been discovered in such homes, or if the Secretary determines that there has been a failure or indicated inability of the dealer to discharge contractual liabilities to veterans, or that the type of contract of sale or methods, procedures, or practices pursued by the dealer in the marketing of such properties have been unfair or prejudicial to veteran purchasers.

(l) The provisions of sections 3704(d) and 3721 of this title shall be fully applicable to lenders making guaranteed manufactured home loans and manufactured home lot loans and holders of such loans.

(Added Pub. L. 91-506, § 5, Oct. 23, 1970, 84 Stat. 1110, § 1819; amended Pub. L. 93-569, § 5, Dec. 31, 1974, 88 Stat. 1864; Pub. L. 94-324, §§ 5, 7(20)-(23), June 30, 1976, 90 Stat. 720, 722; Pub. L. 95-476, title I, § 107, Oct. 18, 1978, 92 Stat. 1500; Pub. L. 96-385, title IV, §§ 401(b), 402(c), Oct. 7, 1980, 94 Stat. 1532, 1533; Pub. L. 97-66, title V, § 503, Oct. 17, 1981, 95 Stat. 1032; Pub. L. 97-72, title III, § 303(h), (i), Nov. 3, 1981, 95 Stat. 1060; Pub. L. 97-295, § 4(66), Oct. 12, 1982, 96 Stat. 1310; Pub. L. 97-306, title IV, § 406(a), (c)(2), Oct. 14, 1982, 96 Stat. 1444, 1445; Pub. L. 98-223, title II, § 205(b), Mar. 2, 1984, 98 Stat. 43; Pub. L. 99-576, title IV, § 402(c)(2), Oct. 28, 1986, 100 Stat. 3281; Pub. L. 100-198, §§ 3(b), 7(b), 8(b), Dec. 21, 1987, 101 Stat. 1315, 1318, 1320; Pub. L. 100-253, § 3(b), Feb. 29, 1988, 102 Stat. 20; renumbered § 1812 and amended Pub. L. 100-322, title IV, § 415(b)(4), May 20, 1988, 102 Stat. 551; Pub. L. 101-237, title III, § 313(b)(1), (7), Dec. 18, 1989, 103 Stat. 2077; Pub. L. 101-508, title VIII, § 8031(a), Nov. 5, 1990, 104 Stat. 1388-348; Pub. L. 102-54, § 14(c)(8), June 13, 1991, 105 Stat. 285; renumbered § 3712 and amended Pub. L. 102-83, §§ 4(a)(2)(A)(v), 5(a), (c)(1), Aug. 6, 1991, 105 Stat. 403, 406; Pub. L. 102-547, § 6(2), Oct. 28, 1992, 106 Stat. 3636; Pub. L. 103-446, title IX, § 906, title XII, § 1201(e)(14), Nov. 2, 1994, 108 Stat. 4677, 4685; Pub. L. 104-66, title I, § 1141(b), Dec. 21, 1995, 109 Stat. 726.)

AMENDMENTS

1995—Subsecs. (l), (m). Pub. L. 104-66 redesignated subsec. (m) as (l) and struck out former subsec. (l) which read as follows: "The Secretary's annual report to Congress shall include a report on operations under this section, including experience with compliance with the warranty required by subsection (i) and the experience regarding defaults and foreclosures."

1994—Subsec. (c)(3)(D). Pub. L. 103-446, § 1201(e)(14)(A)(i), inserted "of" after "subparagraph (B)" in introductory provisions.

Subsec. (c)(3)(E). Pub. L. 103-446, § 1201(e)(14)(A)(ii), substituted "subparagraph (B)(ii) of this paragraph" for "subparagraph (B)(ii) of this subsection".

Subsec. (h)(2). Pub. L. 103-446, § 906(a), amended par. (2) generally. Prior to amendment, par. (2) required the Secretary to inspect the manufacturing process of manufacturers of manufactured homes sold to veterans and provided for the delegation of that function to the Secretary of Housing and Urban Development.

Subsec. (j). Pub. L. 103-446, § 906(b), substituted "in the case of—" and pars. (1) to (3) for "in the case of manufactured homes constructed by any manufacturer who refuses to permit the inspections provided for in subsection (h) of this section; or in the case of manufactured homes which are determined by the Secretary not to conform to the aforesaid standards; or where the

manufacturer of manufactured homes fails or is unable to discharge the manufacturer's obligations under the warranty."

Subsec. (l). Pub. L. 103-446, §906(c), struck out "the results of inspections required by subsection (h) of this section," after "including" and "of this section" after "subsection (i)".

Subsec. (m). Pub. L. 103-446, §1201(e)(14)(B), substituted "sections 3704(d) and 3721 of this title" for "section 3704(d) and section 3721 of this chapter".

1992—Subsec. (a)(4)(A)(iv). Pub. L. 102-547 amended cl. (iv) generally. Prior to amendment, cl. (iv) read as follows: "the amount of the guaranty of the loan may not exceed the original guaranty amount of the loan being refinanced;"

1991—Pub. L. 102-83, §5(a), renumbered section 1812 of this title as this section.

Subsec. (a)(4)(A)(iii). Pub. L. 102-83, §5(c)(1), substituted "3703(c)(3)(A)" for "1803(c)(3)(A)".

Subsec. (a)(4)(B). Pub. L. 102-83, §5(c)(1), substituted "3702(b)" for "1802(b)".

Pub. L. 102-83, §4(a)(2)(A)(v), substituted "Secretary" for "Veterans' Administration".

Subsec. (a)(5)(A). Pub. L. 102-83, §5(c)(1), substituted "3710(a)(9)(B)(i)" for "1810(a)(9)(B)(i)" in introductory provisions, "3704(c)(2)" for "1804(c)(2)" in cl. (i), and "3703(c)(3)(E)" for "1803(c)(3)(E)" in cl. (ii)(IV).

Subsec. (a)(5)(B). Pub. L. 102-83, §5(c)(1), substituted "3710(a)(9)(B)(ii)" for "1810(a)(9)(B)(ii)" and "3702(b)" for "1802(b)".

Pub. L. 102-83, §4(a)(2)(A)(v), substituted "Secretary" for "Veterans' Administration".

Subsec. (b)(2). Pub. L. 102-83, §5(c)(1), substituted "3702(b)" for "1802(b)".

Subsec. (c)(1). Pub. L. 102-83, §5(c)(1), substituted "3702(d)" for "1802(d)".

Subsec. (c)(4). Pub. L. 102-83, §5(c)(1), substituted "3710 or 3711" for "1810 or 1811" and "3710" for "1810".

Subsec. (c)(5). Pub. L. 102-54, §14(c)(8)(A), substituted "for purposes specified in this section" for "under this section".

Subsec. (e)(2). Pub. L. 102-83, §5(c)(1), substituted "3710(g)" for "1810(g)".

Subsec. (e)(5). Pub. L. 102-83, §5(c)(1), substituted "3704(c)(2)" for "1804(c)(2)".

Subsec. (l). Pub. L. 102-54, §14(c)(8)(B), struck out ", beginning 12 months following October 23, 1970," after "shall".

Subsec. (m). Pub. L. 102-83, §5(c)(1), substituted "3704(d)" for "1804(d)" and "3721" for "1821".

1990—Subsec. (c)(3). Pub. L. 101-508 amended par. (3) generally. Prior to amendment, par. (3) read as follows: "The Secretary's guaranty may not exceed the lesser of (A) the lesser of \$20,000 or 40 percent of the loan, or (B) the maximum amount of guaranty entitlement available to the veteran as specified in paragraph (4) of this subsection. Payment of a claim under such guaranty shall be made only after liquidation of the security for the loan and the filing of an accounting with the Secretary. In any such accounting the Secretary shall permit to be included therein accrued unpaid interest from the date of the first uncured default to such cutoff date as the Secretary may establish, and the Secretary shall allow the holder of the loan to charge against the liquidation or resale proceeds, accrued interest from the cutoff date established to such further date as the Secretary may determine and such costs and expenses as the Secretary determines to be reasonable and proper. The liability of the United States under the guaranty provided for by this section shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation."

1989—Subsecs. (a) to (h)(2)(A). Pub. L. 101-237, §313(b)(1), substituted "Secretary" and "Secretary's" for "Administrator" and "Administrator's", respectively, wherever appearing.

Subsec. (h)(2)(B). Pub. L. 101-237, §313(b)(7), substituted "Secretary of Housing and Urban Development pursuant" for "Secretary pursuant" and substituted "Secretary of Veterans Affairs" for "Administrator" wherever appearing.

Subsecs. (i) to (l). Pub. L. 101-237, §313(b)(1), substituted "Secretary" and "Secretary's" for "Administrator" and "Administrator's", respectively, wherever appearing.

1988—Pub. L. 100-322, §415(b)(4)(C), renumbered section 1819 of this title as this section.

Subsecs. (a)(4)(C), (b)(1), (c)(2). Pub. L. 100-322, §415(b)(4)(A), substituted "for purposes specified in this section" for "under this section".

Subsec. (c)(3). Pub. L. 100-322, §415(b)(4)(B)(i), inserted "as specified in paragraph (4) of this subsection" before period at end.

Pub. L. 100-253, §3(b)(1), substituted "the lesser of (A) the lesser of \$20,000 or 40 percent of the loan, or (B) the maximum amount of guaranty entitlement available to the veteran" for "40 percent of the loan, or \$20,000, whichever is less, reduced by the amount of entitlement previously used by the veteran under this chapter and not restored as a result of the exclusion in section 1802(b) of this title".

Subsec. (c)(4). Pub. L. 100-322, §415(b)(4)(A), (B)(ii), (iii), substituted "for purposes specified in this section" for "under this section" in two places, "for purposes specified in section 1810" for "under section 1810", and "for purposes specified in such section 1810" for "under such section 1810".

Pub. L. 100-253, §3(b)(2), substituted "maximum amount of guaranty entitlement available to a veteran under this section shall be \$20,000 reduced by the amount of any such entitlement previously used by the veteran" for "amount of any loan guaranteed under this section shall not exceed an amount equal to 95 percent of the purchase price of the property securing such loan".

Subsec. (c)(5). Pub. L. 100-253, §3(b)(3), added par. (5).

Subsecs. (d)(1), (e) to (g), (h)(1). Pub. L. 100-322, §415(b)(4)(A), substituted "for purposes specified in this section" for "under this section".

1987—Subsec. (a)(4)(A)(ii). Pub. L. 100-198, §7(b)(1), struck out "and such manufactured home (or a manufactured home on such lot) must be owned and occupied by the veteran as such veteran's home" before semicolon at end.

Subsec. (a)(4)(A)(vi). Pub. L. 100-198, §7(b)(2)-(4), added cl. (vi).

Subsec. (a)(5)(A)(i). Pub. L. 100-198, §8(b)(1), inserted "(except as provided in section 1804(c)(2) of this title)" after "by the veteran".

Subsec. (c)(3). Pub. L. 100-198, §3(b)(1), amended first sentence generally. Prior to amendment, first sentence read as follows: "The Administrator's guaranty may not exceed the lesser of 50 per centum of the loan amount or the maximum loan guaranty entitlement available, not to exceed \$20,000."

Subsec. (c)(4). Pub. L. 100-198, §3(b)(2), amended first sentence generally. Prior to amendment, first sentence read as follows: "The amount of guaranty entitlement available to a veteran under this section shall not be more than \$20,000, less the amount of any such entitlement as may have been used under this section."

Subsec. (e)(5). Pub. L. 100-198, §8(b)(2), inserted before semicolon at end "; except that the requirement of this clause shall not apply (A) in the case of a guaranteed loan that is for the purpose described in paragraph (1)(F) of subsection (a), or (B) in the case described in section 1804(c)(2)".

1986—Subsec. (e)(2). Pub. L. 99-576 inserted "as determined in accordance with the regulations prescribed under section 1810(g) of this title and" after "credit risk".

1984—Subsec. (a)(5). Pub. L. 98-223 inserted "or section 1810(a)(9)(B)(ii) of this title" after "paragraph (1)(G) of this subsection" in two places.

1982—Pub. L. 97-306, §406(c)(2)(C), substituted "Loans to purchase manufactured homes and lots" for "Loans to purchase mobile homes and mobile home lots" in section catchline.

Subsec. (a)(1)(A) to (E). Pub. L. 97-306, §406(c)(2)(A), substituted "manufactured" for "mobile" wherever appearing.

Subsec. (a)(1)(G). Pub. L. 97-306, § 406(a)(1), added cl. (G).

Subsec. (a)(2). Pub. L. 97-306, § 406(a)(2), (c)(2)(A), inserted "(other than the refinancing under clause (F) of such paragraph of an existing loan)" after "subsection" and substituted "manufactured" for "mobile".

Subsec. (a)(3). Pub. L. 97-306, § 406(a)(3), (c)(2)(A), substituted "(C), (E), or (G)" for "(C) or (E)", and "manufactured" for "mobile".

Subsec. (a)(4)(A)(ii). Pub. L. 97-306, § 406(c)(2)(A), (B), substituted "manufactured" for "mobile", wherever appearing and "manufactured-home" for "mobile-home" wherever appearing.

Subsec. (a)(5). Pub. L. 97-306, § 406(a)(4), added par. (5).

Subsecs. (b)(1), (c)(1), (d)(1)(B), (C), (D), (e)(3), (4)(A), (B), (6), (f), (h) to (k). Pub. L. 97-306, § 406(c)(2)(A), substituted "manufactured" for "mobile" wherever appearing.

Subsec. (I). Pub. L. 97-295 substituted "October 23, 1970" for "the date of enactment of the Veterans' Housing Act of 1970".

Subsec. (m). Pub. L. 97-306, § 406(c)(2)(A), substituted "manufactured" for "mobile" wherever appearing.

1981—Subsec. (a)(1). Pub. L. 97-72, § 303(h), substituted "housing loan benefits" for "benefits".

Subsec. (b)(2). Pub. L. 97-72, § 303(i), substituted "housing loan benefits" for "loan guaranty benefits".

Subsec. (d)(1). Pub. L. 97-66 increased from 15 years, 32 days to 20 years, 32 days the allowable maturity of a loan for purchase of a single-wide mobile home or a single-wide mobile home and a lot, from 20 years, 32 days to 23 years, 32 days the allowable maturity of a loan for purchase of a double-wide mobile home, and from 20 years, 32 days to 25 years, 32 days the allowable maturity of a loan for purchase of a double-wide mobile home and a lot.

1980—Subsec. (a)(1)(F). Pub. L. 96-385, § 401(b)(1), added cl. (F).

Subsec. (a)(4). Pub. L. 96-385, § 401(b)(2), added par. (4).

Subsec. (c)(3), (4). Pub. L. 96-385, § 402(c), substituted "\$20,000" for "\$17,500" once in par. (3) and twice in par. (4).

1978—Subsec. (a). Pub. L. 95-476, § 107(a), substituted provisions that loans to eligible veterans could be guaranteed if such loans were for certain approved purposes, that such loans for any approved purpose could include an amount determined by the Administrator to be appropriate to cover the cost of necessary lot preparation, and that any loan under cls. (C) or (E) of par. (1) were to be considered one loan, evidenced either by a single instrument or separate instruments for the portions of the loan financing the purchase of the mobile home and the purchase and preparation of the lot for provision that any eligible veteran who had maximum entitlement available for use would be eligible for either the mobile home loan guaranty benefit or the mobile home lot loan guaranty benefit or both but that use of either would preclude use of any home loan guaranty entitlement under any other section until the loan guaranteed under this section had been paid in full.

Subsec. (b)(1). Pub. L. 95-476, § 107(a), substituted provision that use of benefit entitlement under this section for purchase of a mobile home unit would preclude use of any remainder of entitlement for purchase of an additional mobile home unit until the first unit had been disposed of or destroyed by natural hazard for provision that a loan to purchase a mobile home under this section could include amounts to finance purchase of lot and necessary preparation of lot.

Subsec. (b)(2). Pub. L. 95-476, § 107(a), substituted provision authorizing Administrator to restore full benefit entitlement to a veteran under this chapter when conditions prescribed in section 1802(b) of this title had been met for provision authorizing loans to purchase and prepare a mobile home lot when veteran already owned such a mobile home.

Subsec. (c)(1). Pub. L. 95-476, § 107(b)(1), struck out provisions relating to eligible purposes of mobile home loans under this section.

Subsec. (c)(3). Pub. L. 95-476, § 107(b)(2), substituted provision limiting liability of Administrator under loan guaranty to a maximum of lesser of 50 per centum of loan amount or maximum loan guaranty entitlement available, not to exceed \$17,500, for provision limiting Administrator's guaranty to a maximum of 50 per centum of loan amount.

Subsec. (c)(4). Pub. L. 95-476, § 107(b)(3), added par. (4).

Subsec. (d). Pub. L. 95-476, § 107(c), struck out provisions establishing maximum loan amounts for guaranteed mobile home loans and increased maturity for single-wide mobile home loans and lot-only loans from 12 years and 32 days to 15 years and 32 days.

Subsec. (e)(4). Pub. L. 95-476, § 107(d), substituted provisions authorizing Administrator to determine reasonable maximum loan amounts for purchase of new or used mobile homes and purchase and preparation of mobile home lots for provision requiring, as a condition to guaranty, that loans not exceed certain maximum loan amounts for such purchases or preparation.

Subsec. (g). Pub. L. 95-476, § 107(e), redesignated subsec. (h) as (g). Former subsec. (g), limiting to a single time the restoration of loan guaranty entitlement for any veteran for the purchase of a mobile home, was struck out.

Subsec. (h)(1). Pub. L. 95-476, § 107(e), (f), redesignated subsec. (i) as (h)(1) and struck out provision authorizing the Administrator to inspect the mobile home manufacturing process periodically as well as on-site inspections of existing mobile home units to assure compliance with certain standards of planning, construction, and general acceptability. Former subsec. (h) redesignated (g).

Subsec. (h)(2). Pub. L. 95-476, § 107(f), added par. (2).

Subsec. (i). Pub. L. 95-476, § 107(e), (g)(1), redesignated subsec. (j) as (i) and substituted "subsection (h)" for "subsection (i)". Former subsec. (i) redesignated (h).

Subsec. (j). Pub. L. 95-476, § 107(e), (g)(1), redesignated subsec. (k) as (j) and substituted "subsection (h)" for "subsection (i)". Former subsec. (j) redesignated (i).

Subsec. (k). Pub. L. 95-476, § 107(e), redesignated subsec. (l) as (k). Former subsec. (k) redesignated (j).

Subsec. (l). Pub. L. 95-476, § 107(e), (g), redesignated subsec. (m) as (l) and substituted "subsection (h)" and "subsection (i)" for "subsection (i)" and "subsection (j)", respectively. Former subsec. (l) redesignated (k).

Subsecs. (m), (n). Pub. L. 95-476, § 107(e), redesignated subsec. (n) as (m). Former subsec. (m) redesignated (l).

1976—Subsec. (c)(1). Pub. L. 94-324, § 7(20), substituted "the Administrator determines" for "he determines".

Subsec. (c)(3). Pub. L. 94-324, §§ 5, 7(20), increased amount of Administrator's guaranty from 30 per centum of the loan to 50 per centum of the loan and substituted "the Administrator" for "he" wherever appearing.

Subsec. (d)(1). Pub. L. 94-324, § 7(21), substituted "the Administrator's" for "his".

Subsec. (d)(3). Pub. L. 94-324, § 7(21), substituted "the Administrator shall" for "he shall".

Subsec. (e)(4). Pub. L. 94-324, § 7(22), substituted "subsection" for "subparagraph".

Subsec. (e)(5). Pub. L. 94-324, § 7(22), substituted "the veteran will" for "he will" and "the veteran's" for "his".

Subsec. (f). Pub. L. 94-324, § 7(23), substituted "the Administrator determines" for "he determines".

Subsec. (h). Pub. L. 94-324, § 7(23), substituted "the Administrator determines" for "he determines" in two places and "the Administrator has" for "he has".

Subsec. (k). Pub. L. 94-324, § 7(23), substituted "the manufacturer's obligations" for "his obligations".

Subsec. (l). Pub. L. 94-324, § 7(23), substituted "the Administrator determines" for "he determines".

1974—Subsec. (a). Pub. L. 93-569, § 5(1), inserted "or the mobile home lot loan guaranty benefit, or both," after "loan guaranty benefit" wherever appearing, and struck out "mobile home" before "loan guaranteed under this section".

Subsec. (b)(1). Pub. L. 93-569, § 5(2), designated existing provisions as subsec. (b)(1) and redesignated cls. (1) and (2) as (A) and (B), respectively.

Subsec. (b)(2). Pub. L. 93-569, §5(2), added par. (2).

Subsec. (c)(1). Pub. L. 93-569, §5(3), (4), redesignated cls. (1) and (2) as (A) and (B), respectively, and in cl. (A) as so redesignated, inserted provision relating to purchase of a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed, insured or made by another Federal agency, and substituted "or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator," for "or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency."

Subsec. (d)(1). Pub. L. 93-569, §5(5), substituted ", whether or not the mobile home was financed with assistance under this section, and in the case of necessary site preparation, the loan amount for such purposes may not exceed the reasonable value of such lot" for "financed through the assistance of this section and in the case of necessary site preparation, the loan amount shall not be increased by an amount in excess of the reasonable value of such lot".

Subsec. (d)(2)(A). Pub. L. 93-569, §5(6), substituted "\$12,500" for "\$10,000," and "single wide mobile home only" for "mobile home only,".

Subsec. (d)(2)(B). Pub. L. 93-569, §5(6), increased from \$15,000 to \$20,000, and from fifteen years and thirty-two days to twenty years and thirty-two days the amount and period of the loan, struck out the \$10,000 maximum allowable amount for the mobile home, and restricted the amount of the loan to the purchase of a double-wide mobile home instead of a mobile home and undeveloped lot.

Subsec. (d)(2)(C). Pub. L. 93-569, §5(6), substituted "\$20,000" for "\$17,500," "\$12,500" for "\$10,000," "single-wide mobile home" for "mobile home" and "an undeveloped lot" for "a suitably developed lot," and inserted provision including such amount as is appropriate to cover cost of site preparation.

Subsec. (d)(2)(D) to (H). Pub. L. 93-569, §5(6), added subpars. (D) to (H).

Subsec. (e)(3). Pub. L. 93-569, §5(7), inserted "purchased with the proceeds of the loan and on" after "mobile home".

Subsec. (f). Pub. L. 93-569, §5(8), inserted "and mobile home lot loans" after "loans".

Subsec. (i). Pub. L. 93-569, §5(9), inserted provision prohibiting the guarantee of a loan for the purchase of a lot on which to place a mobile home unless the lot meets prescribed standards.

Subsec. (n). Pub. L. 93-569, §5(10), inserted "and mobile home lot loans" after "mobile home loans".

Subsec. (o). Pub. L. 93-569, §5(11), struck out subsec. (o) which prohibited the making or guaranteeing of loans on and after July 1, 1975, except upon prior commitment.

EFFECTIVE DATE OF 1990 AMENDMENT

Pub. L. 101-508, title VIII, §8031(b), Nov. 5, 1990, 104 Stat. 1388-348, provided that: "The amendment made by this section [amending this section] shall apply to claims filed with the Secretary of Veterans Affairs on or after the date of the enactment of this Act [Nov. 5, 1990]."

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-253 applicable to loans closed on or after Feb. 1, 1988, except for loans for which guaranty commitment was made on or before Dec. 31, 1987, see section 3(c) of Pub. L. 100-253, set out as a note under section 3703 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by section 3(b) of Pub. L. 100-198 applicable to loans closed on or after Feb. 1, 1988, but not applicable to any loan for which a guaranty commitment

is made on or before Dec. 31, 1987, see section 3(d) of Pub. L. 100-198, set out as a note under section 3703 of this title.

Amendment by section 7(b) of Pub. L. 100-198 applicable to loans made more than 30 days after Dec. 21, 1987, see section 7(d) of Pub. L. 100-198, set out as a note under section 3710 of this title.

Amendment by section 8(b) of Pub. L. 100-198 applicable with respect to loans made more than 30 days after Dec. 21, 1987, see section 8(c) of Pub. L. 100-198, set out as a note under section 3704 of this title.

EFFECTIVE DATE OF 1981 AMENDMENTS

Amendment by Pub. L. 97-72 effective at end of 180-day period beginning on Nov. 3, 1981, see section 305 of Pub. L. 97-72, set out as an Effective Date note under section 3741 of this title.

Amendment by Pub. L. 97-66 effective Oct. 17, 1981, see section 701(b)(1) of Pub. L. 97-66, set out as a note under section 1114 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by sections 401(b) and 402(c) of Pub. L. 96-385 effective Oct. 7, 1980, and Oct. 1, 1980, respectively, see section 601(b), (d) of Pub. L. 96-385, set out as a note under section 1114 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-476 effective Oct. 1, 1978, see section 108(a) of Pub. L. 95-476, set out as a note under section 3702 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by sections 5 and 7(20)-(23) of Pub. L. 94-324 effective July 1, 1976, and June 30, 1976, respectively, see section 9(a), (b) of Pub. L. 94-324, set out as a note under section 3701 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

Amendment by Pub. L. 93-569 effective Dec. 31, 1974, see section 10 of Pub. L. 93-569, set out as a note under section 3702 of this title.

EFFECTIVE DATE

Pub. L. 91-506, §8, Oct. 23, 1970, 84 Stat. 1114, provided that: "Section 5 of this Act [enacting this section] shall become effective sixty days following the date of enactment [Oct. 23, 1970]."

§ 3713. Release from liability under guaranty

(a) Whenever any veteran disposes of residential property securing a guaranteed, insured, or direct housing loan obtained by the veteran, the Secretary, upon application made by such veteran and by the transferee incident to such disposal, shall issue to such veteran in connection with such disposal a release relieving the veteran of all further liability to the Secretary on account of such loan (including liability for any loss resulting from any default of the transferee or any subsequent purchaser of such property) if the Secretary has determined, after such investigation as the Secretary may deem appropriate, that (1) the loan is current, and (2) the purchaser of such property from such veteran (A) is obligated by contract to purchase such property and to assume full liability for the repayment of the balance of the loan remaining unpaid, and has assumed by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan, and (B) qualifies from a credit standpoint, to the same extent as if the transferee were a veteran eligible for purposes specified in section 3710 of this title, for a guaranteed or insured or direct loan in an

amount equal to the unpaid balance of the obligation for which the transferee has assumed liability.

(b) If any veteran disposes of residential property securing a guaranteed, insured, or direct housing loan obtained by the veteran under this chapter without receiving a release from liability with respect to such loan under subsection (a), and a default subsequently occurs which results in liability of the veteran to the Secretary on account of the loan, the Secretary may relieve the veteran of such liability if the Secretary determines, after such investigation as the Secretary deems appropriate, that the property was disposed of by the veteran in such a manner, and subject to such conditions, that the Secretary would have issued the veteran a release from liability under subsection (a) with respect to the loan if the veteran had made application therefor incident to such disposal. Failure of a transferee to assume by contract all of the liabilities of the original veteran-borrower shall bar such release of liability only in cases in which no acceptable transferee, either immediate or remote, is legally liable to the Secretary for the indebtedness of the original veteran-borrower arising from termination of the loan. The failure of a veteran to qualify for release from liability under this subsection does not preclude relief from being granted under section 5302(b) of this title, if the veteran is eligible for relief under that section.

(c) This section shall apply only to loans for which commitments are made before March 1, 1988.

(Pub. L. 85-857, Sept. 2, 1958, 72 Stat. 1212, § 1817; Pub. L. 92-328, title II, § 204, June 30, 1972, 86 Stat. 397; Pub. L. 94-324, § 7(18), (19), June 30, 1976, 90 Stat. 722; Pub. L. 97-72, title III, § 303(f), Nov. 3, 1981, 95 Stat. 1060; Pub. L. 100-198, § 10(a)(2), Dec. 21, 1987, 101 Stat. 1323; renumbered § 1813 and amended Pub. L. 100-322, title IV, § 415(b)(2), May 20, 1988, 102 Stat. 550; Pub. L. 101-237, title III, § 313(b)(1), Dec. 18, 1989, 103 Stat. 2077; Pub. L. 102-40, title IV, § 402(d)(1), May 7, 1991, 105 Stat. 239; renumbered § 3713 and amended Pub. L. 102-83, § 5(a), (c)(1), Aug. 6, 1991, 105 Stat. 406; Pub. L. 103-446, title XII, § 1201(e)(15), Nov. 2, 1994, 108 Stat. 4686.)

AMENDMENTS

1994—Subsec. (b). Pub. L. 103-446 before period at end substituted “section 5302(b) of this title, if the veteran is eligible for relief under that section” for “subsection 5302(b) of this title, if eligible thereunder”.

1991—Pub. L. 102-83, § 5(a), renumbered section 1813 of this title as this section.

Subsec. (a). Pub. L. 102-83, § 5(c)(1), substituted “3710” for “1810”.

Subsec. (b). Pub. L. 102-40 substituted “5302(b)” for “3102(b)”.

1989—Subsecs. (a), (b). Pub. L. 101-237 substituted “Secretary” for “Administrator” wherever appearing.

1988—Pub. L. 100-322, § 415(b)(2)(B), renumbered section 1817 of this title as this section.

Subsec. (a). Pub. L. 100-322, § 415(b)(2)(A), substituted “for purposes specified in section 1810” for “under section 1810”.

1987—Subsec. (c). Pub. L. 100-198 added subsec. (c).

1981—Subsec. (a). Pub. L. 97-72, § 303(f)(1), substituted “direct housing loan” for “direct loan”.

Subsec. (b). Pub. L. 97-72, § 303(f)(2), substituted “or direct housing loan obtained” for “or direct loan obtained”.

1976—Subsec. (a). Pub. L. 94-324, § 7(18), substituted “the veteran” for “him” in two places, “the Administrator may deem” for “he may deem”, “the transferee were a veteran” for “he were a veteran”, “the transferee has assumed” for “he has assumed”, and “is obligated” for “has obligated himself”.

Subsec. (b). Pub. L. 94-324, § 7(19), substituted “obtained by the veteran” for “obtained by him”, “the Administrator determines” for “he determines”, and “the Administrator deems” for “he deems”.

1972—Pub. L. 92-328 designated existing provisions as subsec. (a) and added subsec. (b).

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-72 effective at end of 180-day period beginning on Nov. 3, 1981, see section 305 of Pub. L. 97-72, set out as an Effective Date note under section 3741 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-324 effective June 30, 1976, see section 9(a) of Pub. L. 94-324, set out as a note under section 3701 of this title.

EFFECTIVE DATE OF 1972 AMENDMENT

Pub. L. 92-328, title III, § 301(c), June 30, 1972, 86 Stat. 398, provided that: “Sections 201 through 206 of this Act [amending this section and sections 210, 1820 [now 3720], 3102 [now 5302], and 3503 [now 6103] of this title, and enacting provisions set out as a note under section 5302 of this title] shall take effect upon the date of enactment of this Act [June 30, 1972].”

§ 3714. Assumptions; release from liability

(a)(1) Except as provided in subsection (f) of this section, if a veteran or any other person disposes of residential property securing a loan guaranteed, insured, or made under this chapter and the veteran or other person notifies the holder of the loan in writing before the property is disposed of, the veteran or other person, as the case may be, shall be relieved of all further liability to the Secretary with respect to the loan (including liability for any loss resulting from any default of the purchaser or any subsequent owner of the property) and the application for assumption shall be approved if the holder determines that—

(A) the loan is current; and

(B) the purchaser of the property from such veteran or other person—

(i) is obligated by contract to purchase such property and to assume full liability for the repayment of the balance of the loan remaining unpaid and has assumed by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan; and

(ii) qualifies from a credit standpoint, to the same extent as if the purchaser were a veteran eligible under section 3710 of this title, for a guaranteed or insured or direct loan in an amount equal to the unpaid balance of the obligation for which the purchaser is to assume liability.

(2) For the purposes of paragraph (1), paragraph (3), and paragraph (4)(C)(ii) of this subsection, the Secretary shall be considered to be the holder of the loan if the actual holder is not an approved lender described in section 3702.

(3) If the holder of the loan determines that the loan is not current or that the purchaser of the property does not meet the requirements of

paragraph (1)(B) of this subsection, the holder shall—

(A) notify the transferor and the Secretary of such determination; and

(B) notify the transferor that the transferor may appeal the determination to the Secretary.

(4)(A) Upon the appeal of the transferor after a determination described in paragraph (3) is made, the Secretary shall, in a timely manner, review and make a determination (or a redetermination in any case in which the Secretary made the determination described in such paragraph) with respect to whether the loan is current and whether the purchaser of the property meets the requirements of paragraph (1)(B) of this subsection. The Secretary shall transmit, in writing, a notice of the nature of such determination to the transferor and the holder and shall inform them of the action that shall or may be taken under subparagraph (B) of this paragraph as a result of the determination of the Secretary.

(B)(i) If the Secretary determines under subparagraph (A) of this paragraph that the loan is current and that the purchaser meets the requirements of paragraph (1)(B) of this subsection, the holder shall approve the assumption of the loan, and the transferor shall be relieved of all liability to the Secretary with respect to such loan.

(ii) If the Secretary determines under subparagraph (A) of this paragraph that the purchaser does not meet the requirements of paragraph (1)(B) of this subsection, the Secretary may direct the holder to approve the assumption of the loan if—

(I) the Secretary determines that the transferor of the property is unable to make payments on the loan and has made reasonable efforts to find a buyer who meets the requirements of paragraph (1)(B) of this subsection and that, as a result, the proposed transfer is in the best interests of the Department and the transferor;

(II) the transferor has requested, within 15 days after receiving the notice referred to in subparagraph (A) of this paragraph, that the Secretary approve the assumption; and

(III) the transferor will, upon assumption of the loan by the purchaser, be secondarily liable on the loan.

(C) If—

(i) the loan is not approved for assumption under subparagraph (B) of this paragraph or paragraph (1) of this subsection; or

(ii) no appeal is made by the transferor under subparagraph (A) of this paragraph within 30 days after the holder informs the transferor of its determination under paragraph (3) of this subsection,

the holder may demand immediate, full payment of the principal, and all interest earned thereon, of such loan if the transferor disposes of the property.

(b) If a person disposes of residential property described in subsection (a)(1) of this section and the person fails to notify the holder of the loan before the property is disposed of, the holder, upon learning of such action by the person, may

demand immediate and full payment of the principal, interest, and all other amounts owing under the terms of the loan.

(c)(1) In any case in which the holder of a loan described in subsection (a)(1) of this section has knowledge of a person's disposing of residential property securing the loan, the holder shall notify the Secretary of such action.

(2) If the holder fails to notify the Secretary in such a case, the holder shall be liable to the Secretary for any damage sustained by the Secretary as a result of the holder's failure, as determined at the time the Secretary is required to make payments in accordance with any insurance or guaranty provided by the Secretary with respect to the loan concerned.

(d) With respect to a loan guaranteed, insured, or made under this chapter, the Secretary shall provide, by regulation, that at least one instrument evidencing either the loan or the mortgage or deed of trust therefor, shall conspicuously contain, in such form as the Secretary shall specify, a notice in substantially the following form: "This loan is not assumable without the approval of the Department of Veterans Affairs or its authorized agent".

(e) The Secretary shall establish in regulations a reasonable amount as the maximum amount that a lender may charge for processing an application for a creditworthiness determination and assumption of a loan pursuant to this section. Such regulations shall establish requirements for the timely processing of applications for acceptance of assumptions.

(f)(1) This section shall apply—

(A) in the case of loans other than loans to finance the purchase of real property described in section 3733(a)(1) of this title, only to loans for which commitments are made on or after March 1, 1988; and

(B) in the case of loans to finance the purchase of such property, only to loans which are closed after January 1, 1989.

(2) This section shall not apply to a loan which the Secretary has sold without recourse.

(Added Pub. L. 100-198, § 10(a)(1), Dec. 21, 1987, 101 Stat. 1321, § 1817A; renumbered § 1814, Pub. L. 100-322, title IV, § 415(b)(2)(B), May 20, 1988, 102 Stat. 551; amended Pub. L. 100-689, title III, § 302, Nov. 18, 1988, 102 Stat. 4176; Pub. L. 101-237, title III, § 313(b)(1), Dec. 18, 1989, 103 Stat. 2077; renumbered § 3714 and amended Pub. L. 102-83, §§ 4(a)(2)(B)(iv), (3), (4), 5(a), (c)(1), Aug. 6, 1991, 105 Stat. 403, 404, 406; Pub. L. 105-368, title X, § 1005(b)(10), Nov. 11, 1998, 112 Stat. 3365; Pub. L. 107-103, title IV, § 403, Dec. 27, 2001, 115 Stat. 993.)

AMENDMENTS

2001—Subsec. (d). Pub. L. 107-103 amended subsec. (d) generally. Prior to amendment, subsec. (d) read as follows: "The Secretary shall provide that the mortgage or deed of trust and any other instrument evidencing the loan entered into by a person with respect to a loan guaranteed, insured, or made under this chapter shall contain provisions, in such form as the Secretary shall specify, implementing the requirements of this section, and shall bear in conspicuous position in capital letters on the first page of the document in type at least 2 and ½ times larger than the regular type on such page the following: 'This loan is not assumable without the approval of the Department of Veterans Affairs or its authorized agent.'"

1998—Subsec. (f)(1)(B). Pub. L. 105-368 substituted “after January 1, 1989” for “more than 45 days after the date of the enactment of the Veterans’ Benefits and Programs Improvement Act of 1988”.

1991—Pub. L. 102-83, §5(a), renumbered section 1814 of this title as this section.

Subsec. (a)(1)(B)(ii). Pub. L. 102-83, §5(c)(1), substituted “3710” for “1810”.

Subsec. (a)(2). Pub. L. 102-83, §5(c)(1), substituted “3702” for “1802”.

Subsec. (a)(4)(B)(ii)(I). Pub. L. 102-83, §4(a)(3), (4), substituted “Department” for “Veterans’ Administration”.

Subsec. (d). Pub. L. 102-83, §4(a)(2)(B)(iv), substituted “Department of Veterans Affairs” for “Veterans’ Administration”.

Subsec. (f)(1)(A). Pub. L. 102-83, §5(c)(1), substituted “3733(a)(1)” for “1833(a)(1)”.

1989—Subsecs. (a), (c) to (f). Pub. L. 101-237, §313(b)(1), substituted “Secretary” for “Administrator” wherever appearing.

1988—Pub. L. 100-322, §415(b)(2)(B), renumbered section 1817A of this title as this section.

Subsec. (a)(1). Pub. L. 100-689, §302(1), substituted “Except as provided in subsection (f) of this section, if” for “If” and “loan guaranteed, insured, or made” for “guaranteed, insured, or direct housing loan obtained by a veteran”.

Subsec. (f). Pub. L. 100-689, §302(2), amended subsec. (f) generally. Prior to amendment, subsec. (f) read as follows: “This section shall apply only to loans for which commitments are made on or after March 1, 1988.”

[[§§ 3715 to 3719. Vacant]

CODIFICATION

Prior to renumbering of sections 1801 to 1851 of this chapter as sections 3701 to 3751 by Pub. L. 102-83, §5(a), Aug. 6, 1991, 105 Stat. 406, sections 1815 to 1817A and 1819 of this chapter were renumbered and section 1818 of this chapter was repealed.

Section 1815 was renumbered section 1803(a)(2) of this title.

Section 1816 was renumbered sections 1832 and 1833 of this title.

Section 1817 was renumbered section 1813 of this title.

Section 1817A was renumbered section 1814 of this title.

Section 1818, added Pub. L. 89-358, §5(a), Mar. 3, 1966, 80 Stat. 25; amended Pub. L. 91-506, §2(e), Oct. 23, 1970, 84 Stat. 1108; Pub. L. 93-569, §8(6), (7), Dec. 31, 1974, 88 Stat. 1866, 1867; Pub. L. 94-324, §4, June 30, 1976, 90 Stat. 720; Pub. L. 95-476, title I, §106(a), Oct. 18, 1978, 92 Stat. 1499; Pub. L. 97-72, title III, §303(g), Nov. 3, 1981, 95 Stat. 1060; Pub. L. 97-295, §4(66), Oct. 12, 1982, 96 Stat. 1310, which related to service after Jan. 31, 1955, and prior to Aug. 5, 1964, or after May 7, 1975, was repealed by Pub. L. 100-322, title IV, §415(b)(3), May 20, 1988, 102 Stat. 551.

Section 1819 was renumbered section 1812 of this title.

SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

§ 3720. Powers of Secretary

(a) Notwithstanding the provisions of any other law, with respect to matters arising by reason of this chapter, the Secretary may—

(1) sue and be sued in the Secretary’s official capacity in any court of competent jurisdiction, State or Federal, but nothing in this clause shall be construed as authorizing garnishment or attachment against the Secretary, the Department of Veterans Affairs, or any of its employees;

(2) subject to specific limitations in this chapter, consent to the modification, with re-

spect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage or other instrument securing a loan which has been guaranteed, insured, made or acquired under this chapter;

(3) pay, or compromise, any claim on, or arising because of, any such guaranty or insurance;

(4) pay, compromise, waive or release any right, title, claim, lien or demand, however acquired, including any equity or any right of redemption;

(5) purchase at any sale, public or private, upon such terms and for such prices as the Secretary determines to be reasonable, and take title to, property, real, personal or mixed; and similarly sell, at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this chapter. The acquisition of any such property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property. Without regard to section 3302(b) of title 31 or any other provision of law not expressly in limitation of this paragraph, the Secretary may permit brokers utilized by the Secretary in connection with such properties to deduct from rental collections amounts covering authorized fees, costs, and expenses incurred in connection with the management, repair, sale, or lease of any such properties and remit the net balances to the Secretary.

(b) The powers granted by this section may be exercised by the Secretary without regard to any other provision of law not enacted expressly in limitation of this section, which otherwise would govern the expenditure of public funds, except that division C (except sections 3302, 3501(b), 3509, 3906, 4710, and 4711) of subtitle I of title 41 shall apply to any contract for services or supplies on account of any property acquired pursuant to this section.

(c) The financial transactions of the Secretary incident to, or arising out of, the guaranty or insurance of loans pursuant to this chapter, and the acquisition, management, and disposition of property, real, personal, or mixed, incident to such activities and pursuant to this section, shall be final and conclusive upon all officers of the Government.

(d) The right to redeem provided for by section 2410(c) of title 28 shall not arise in any case in which the subordinate lien or interest of the United States derives from a guaranteed or insured loan.

[(e) Repealed. Pub. L. 105-368, title VI, §602(c)(1), Nov. 11, 1998, 112 Stat. 3346.]

(f) Whenever loss, destruction, or damage to any residential property securing loans guaranteed, insured, made, or acquired by the Secretary under this chapter occurs as the result of a major disaster as determined by the President